

REVIEW OF REVIEWS AND WORLD'S WORK

Edited by **ALBERT SHAW**

The Progress of the World

The Meaning of Money and Credit, 9 . . . When Debtors Lack the Means to Pay, 9 . . . Resuming Gold After the Civil War, 10 . . . Bryan and the Fight for Free Silver, 11 . . . Gold Upheld as Standard for the World, 12 . . . Effects of the World War Upon Money, 12 . . . Benefits From Our Recent Banking Crisis, 13 . . . Aroused Public Opinion Asserts Itself, 13 . . . The President Carries the Economy Bill, 14 . . . New Plans to Relieve the Farmers, 15 . . . Inflation as the President Decides, 15.

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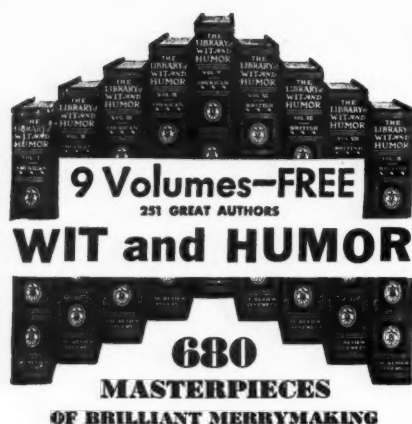
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Volume LXXXVII

Number Six

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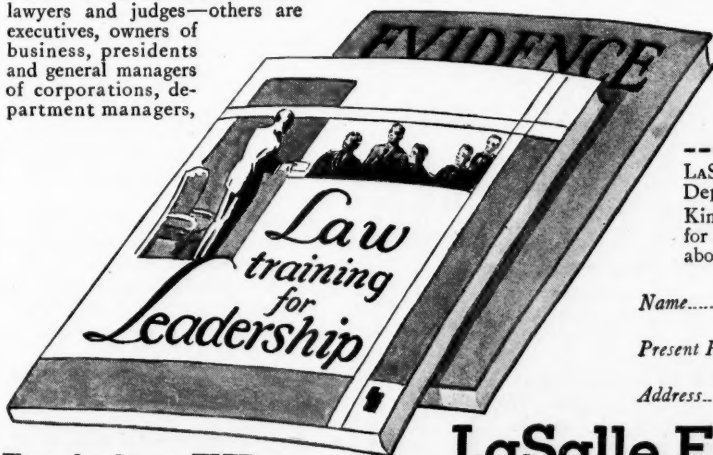
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Recommended Reading

New Money

Inflation, by Donald B. Woodward and Marc A. Rose. Whitteley House, 165 pp. \$1.50.

IN THIS book the two authors of the earlier "Primer of Money" live up to their reputation as the layman's interpreter of today's most important science: economics. Their present book is a clear and wise explanation of inflation.

In order to give background, the story is started with accounts of inflations from early Rome to the currency debaucheries of post-war Europe. Turning to America, the authors show that by 1929 this country was headed for an inevitable attack of price declines and monetary disturbances.

Equally inevitable was the 1933 decision to turn to inflation for relief. The authors explain what it means in theory and practice. They tell of its probable effect on the nation, and on the nation's individuals. They show how it can be guided to bring about improvement in conditions. And, in a concluding chapter, they plead eloquently for a managed currency as the foundation of future security. If the authors are correct we are on the right road at last.

Europe in Few Words

Europe Since the War, by J. Hampden Jackson. E. P. Dutton, 142 pp. \$1.25.

HERE is the story, clearly and simply told, of post-war Europe. Here is Germany attempting to rise from the ashes of defeat. Here is France grimly struggling to keep the peace treaties inviolate. Here is England, plagued by unemployment and colonial problems, trying to play mediator between the revision and *status quo* powers. Here are smaller nations—Italy, Spain, Hungary—swept along in the rising flood of supernationalism. Here is Russia, aloof and intent on working out her new destiny. In short, here is all Europe with the exception of the Balkans and the Baltic States. No words are wasted in this clear account of what has happened.

Monroe's Warning

The Monroe Doctrine, 1826-1867, by Dexter Perkins. Johns Hopkins Press, 580 pp. \$3.50.

PRESIDENT ROOSEVELT said in April that the Monroe Doctrine "was aimed and is aimed against the acquisition in any manner of the control of additional territory in this hemisphere by any non-American power". Not every President since Monroe has spoken so frankly, but a study of United States conduct of af-

fairs on this side of the globe must show the attitude of each administration.

Professor Perkins has made such a study of the Doctrine's first forty-odd years. It was "little noticed in the thirties, revived in the forties, taking root in the fifties, consolidated and vindicated in the sixties". On so bare an outline hangs an absorbing story of national and international politics.

This book is a perfect example of the historian's art. Madrid, London, Paris, and Washington have been the scenes of research. Official and unofficial sources have been tapped. The result, in published form, comprises the 1932 series in Johns Hopkins' Albert Shaw Lectures on Diplomatic History.

Child of Conflict

Manchukuo, Child of Conflict, by K. K. Kawakami. Macmillan, 311 pp. \$2.

LAST YEAR K. K. Kawakami caused a storm of protest among his Japanese compatriots by writing that Japan's intervention in Shanghai was "a fatal blunder". This year his book on later developments in the Far East will probably cause less consternation at home. It is a remarkably fair statement of the Japanese position, but it discloses no national secrets.

Last year's book told the story of Manchurian difficulties with the emphasis on historical background. This year's story of the new Manchukuo emphasizes the human factors. "Manchukuo", says the author, "is here to stay". He tells about its organization, foreign relations, finances and domestic affairs, and the multitude of problems which face it. But progress is being made, and promises of improvement are becoming realities. Manchukuo will bear sympathetic watching.

The Machine Age

Industry and Society, by Arthur J. Todd. Henry Holt, 626 pp. \$3.75.

THIS book is not for popular consumption, but to serious students of life in the machine age it will be welcome. It offers no helter-skelter theorizing; it holds no brief for any particular school of thought. It is a scholarly analysis of the machines' effect on men.

In order to observe the effects of industrialism accurately, the author turns his attention to Japan, China, and India. There, because of its comparatively recent introduction, the whole cycle of change—from cause to effect—can be studied objectively. Then looking at the world in general, the book examines in-

dustrialism's concurring evils. There is a splendid exposition of the social effects of the machine age. The relationship between industry and the problems of wages, unemployment, health, and education is weighed. An excellent section examines the various panaceas that are advanced as solutions for these problems. This is a book of facts, wisely leaving the reader to draw his own conclusions.

Briefer Comment

• • "A LIMITED controlled inflation can do as much harm to the uninformed as wild, uncontrolled inflation". Thus writes Earl Sparling in "The Primer of Inflation", in which he advises us of new money's probable effects and offers suggestions for making the best of them. (John Day, \$1.50.)

• • JOSEF KASTEIN has made "History and Destiny of the Jews" (Viking, \$3.50) a moving story of this great race. It is the tale of three thousand years of pain and pleasure, of punishment and reward, of spiritual values and worldly considerations, and of shame and exaltation.

• • "END THE CRISIS" is written for the world rather than for any one nation. Felix Somary offers a definite solution of the crisis that calls for the highest type of statesmanship in considering international debts, the adjustment of expenditure, and currency stabilization. (Dutton, \$1.)

• • "THE BANKING CRISIS", by Jules I. Bogen and Marcus Nadler, is a day-by-day account of the already historic February and March, 1933. The authors analyze the breakdown and suggest permanent banking reforms. (Dodd, Mead, \$1.75.)

• • GEORGE BERNARD SHAW, when he recently visited us, paid high compliment to Henry George, advocate of the single tax on land. "The Philosophy of Henry George", by George R. Geiger (Macmillan, \$3.) is a carefully developed study of his work, its backgrounds, and effects.

• • BEHIND the Constitution, the authors of "American Constitutional History" show, there is a human story extending from the Middle Ages on through John Marshall and to Chief Justice Hughes. Erik McKinley Eriksson and David Nelson Rowe contribute this new appraisal of the Constitution in human terms. (Norton, \$4.75.)

• • WILLIAM E. SMITH's "Francis Preston Blair Family in Politics" tells about
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The World of Books

Continued from page 4

a family which for more than fifty years had a strong influence in American public life. The two volumes cover the period from President Jackson until after the Civil War. (Macmillan, \$7.50.)

• • JOHN MAYNARD KEYNES has long been recognized as an outstanding world economist. In pamphlet form, "The Means to Prosperity" (Harcourt, Brace, 30 cents) gives his remedy for the world's ills. It will be no less appreciated by Americans than by the British public to whom it was originally addressed.

• • "THE HISTORY of the Foreign Policy of the United States", by Robert L. Jones, tells of the American attitude in colonial days, describes the following period of isolation and the later unrecognized swing back into the family of nations, and concludes with the World War revelation that we were no longer sufficient unto ourselves. (Putnam, \$3.50.)

• • VAST CHANGES have crept into our economic concepts in recent years, and William A. Scott tells about them in "The Development of Economics". He writes well of the early principles and of the centuries of change that have followed. (Century, \$4.)

• • "INEVITABLE WAR" will be no comfort to disarmament advocates. Richard Stockton writes of America's war experiences from the viewpoint of a militarist. He points out that unpreparedness is ultimately dangerous and expensive. (Perth, New York, \$7.50.)

• • "HOOVER AFTER DINNER" is a collection of the former President's informal speeches. Those delivered before the Gridiron Club dinners of Washington newspapermen form the bulk of the book, and reveal Mr. Hoover's qualities of wit and humor. (Scribners, \$2.)

• • VISITORS to Chicago and the Century of Progress may have good use for "All About Chicago", by John and Ruth Ashenhurst (Houghton, Mifflin, \$1.) Here is an efficiently ordered guide-book to places and things in the Windy City which will not bore the reader.

• • "THE PROGRAM for the World Economic Conference" should be of value to anyone who wants to follow the Conference's proceedings intelligently. It consists largely of material submitted to the League by the Preparatory Commission, and which will be the basis of discussion. (World Peace Foundation, Boston, \$1.)

• • YEAR AFTER YEAR a new volume is added to the "New International Year Book" series. The newest volume, covering the march of events in 1932, measures up to the high standards of its predecessors. No important event or trend is left unnoticed, no fact is neglected, in this encyclopedic survey of what was new in 1932. (Funk and Wagnalls, \$6.25.)

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American Money—Past, Present and Future

By ALBERT SHAW

The Meaning of Money and Credit

LET US OPEN these pages with a word of advice to certain of our readers who may have been trying to solve for themselves the age-long problem of money. We offer counsel only to those citizens who are trying hard to understand, but find themselves somewhat baffled. There are, indeed, many who are sure that they know all about money. We shall avoid the danger of giving such wise ones offense by arguing against their theories or their prescriptions. But to the baffled ones we have a wholly cheerful suggestion to make. It is simply this: that no theory or plan about a money system can be regarded as exclusive in its correctness, or as final when once adopted.

What we call money is a convenient medium of exchange that was invented thousands of years ago. Experience has shown that certain metals, such as gold, silver, copper, nickel, and their alloys, are useful as money both in actual circulation and also in stored reserves, because they have intrinsic values. If there were no such thing as long-time indebtedness in terms of legal money, we should have comparatively little reason to concern ourselves about slowly drifting changes in the intrinsic value of these metallic substances that we use for money.

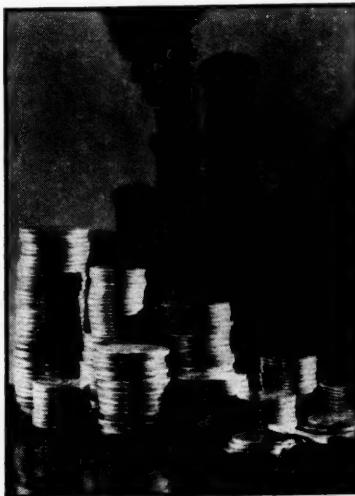
But, in recent times, we have made vast development of something we call "credit", as a means of extending the movement and the volume of business. We use what is known as "capital" in order to enlarge our enterprises and make them more profitable. "Capital" is transferred from the lender to the borrower *in the terms of money*.

In times when farming is profitable, and when it seems likely that prosperity will continue, the energetic farmer wishes to expand his activities without long delay. He borrows money with which to buy more land, to build better barns, to buy tractors and other machinery,

and to provide his farm with improved livestock. The loans are secured by real-estate mortgages and chattel mortgages. His borrowings are for a term of years, usually at a high rate of interest. In most cases he has secured renewal for a further period, and has paid a premium for the privilege of postponement. Meanwhile, perchance, the high tides of prosperity have subsided. Agricultural commodities have begun to glut the markets, and they sell at disastrously low prices. It becomes increasingly hard to obtain the dollars with which to pay interest upon the mortgage loans. And it becomes impossible to secure further time-extension from the creditor.

During the prosperous years, fine school houses have been built, and the costs of local government have enormously increased. This means a heavy burden of taxation. Land speculation has accustomed the farmer to think that his acres are immensely valuable. The tax assessors take advantage of these fictitious land prices. Experience shows that taxes do not go downward at any even pace with the decline in the price-level of farm commodities.

Dollars must be had, or the farmer loses his home and his means of livelihood. The thing that has happened to one farmer is what has happened to several millions of farmers. Throughout the rural areas of the entire land there rings the cry: "Something is wrong with the dollar!" This situation has recurred not once or twice, but a number of times in the pioneering adventures of the United States.



Ewing-Galloway

When Debtors Lack the Means to Pay

OBVIOUSLY, the dollar always is a rigidly legalized institution. The creditor insists upon his payment in terms of an unchanging legal tender. But the debtor sees it all as a question of ethics, rather than as a question of law. The creditor says that the farmer has made a bad guess,

and that he has forced prices down by overproduction. Should the dollar be cheapened to help the debtor? Should it be maintained at all hazards as an undeviating standard? Must we hold to the legal obligation of our dollar-contracts, regardless of business wreckage and social calamity? Must we witness the withdrawal of children from schools even if the schools are not closed for lack of funds? A hundred times worse, must we look on while foreclosures drive thousands of families from farm homes, with loss also of their means of livelihood?

The creditor has never intended to bring ruin upon the debtor. But the terms of payment must mean something reasonably secure, and of continuing validity. Otherwise, "credit" becomes merely speculative hazard, and "capital" is but the shadow of a dream. If money were not fairly stable, "business" could not exist in any important sense. Everybody would be beggared, and farmers would relapse to a sub-peasant status, as in medieval times.

Yardsticks are thirty-six inches long. We do not lengthen or shorten the yardstick to meet fluctuating conditions in the scarcity of things that are sold by the yard. Within fifteen years, the price of wheat has fluctuated from 25 cents to more than \$2.00 a bushel; but the bushel itself, whether by weight or by cubic content, remains the same. We have had many historic battles, long continued in some cases, over monetary standards as fixed by law. The so-called conservatives, in our opinion, have usually had the better argument. Monetary safety and stability lie at the very basis of those economic institutions that must have continuous life, and that exist for the welfare of all the people.

Thus the wage earner is deeply concerned, when he gets his pay envelope on Saturday, about the assured validity and the normal purchasing power of the dollars that he has earned. Let us suppose that he puts some of those dollars into the savings bank, and that he is carrying some form of insurance, whether against accident or unemployment, or against the final tragedy that robs a family of its breadwinner. It is plain that the savings banks and the insurance companies, doing business over long periods *in terms of dollars*, must have good reason to believe that the dollar itself will not move violently up and down a sliding scale, like mercury in our changeable American climate with thermometers marked for a range of 140° more or less.

Resuming Gold After the Civil War

IN THE PERIOD before the Civil War the United States mints accepted gold and silver as it came in bars from the smelters, and paid out gold dollars or silver dollars freely, with a merely nominal charge for minting. The ratio by weight between silver dollars and gold dollars was sixteen to one. All debts, public or private, were legally payable in either gold or silver. Paper money as issued by state banks was in general circulation. It was controlled by the banking laws of the several states. This system of state currency was unstable at best, and wholly disastrous at worst. Its behavior was eccentric, like that of a boy's kite with an ill-balanced tail.

When the Civil War broke out, gold and silver disappeared at once from circulation. A ten per cent. federal tax put an end to the paper currencies of the states. The Government had to sell bonds to obtain

money with which to carry on the war. In lieu of the state currencies, the federal government issued and paid out irredeemable paper money of its own (the so-called "Greenbacks") to the extent of several hundred million dollars. It created a system of National Banks. These banks were obliged to buy government bonds with their subscribed capital, and to deposit the bonds with the Comptroller of the Currency. They received in exchange for the bonds a corresponding amount of circulating bank notes, each bank having its own name printed upon its quota of currency. Although the government held the bonds as security for the outstanding paper money, the banks were entitled to full interest on the bonds that they had deposited. They loaned out the money that they had received to their business patrons, usually at a much higher rate of interest than they obtained on the bonds that they still owned.

On their face the bonds were redeemable at maturity in gold and silver coins of the United States. But we were actually running the country on a paper money basis. The fortunes of the war were regarded as uncertain; and there were times when government bonds sold at prices far below par. After the war, there was a speculative period and a boom in western lands. Then there came, in 1873, a terrific reaction. There were all the bad-times phenomena of bank troubles, business failures, railroad receiverships, and farm foreclosures, followed by a protracted period of deadly economic depression. There arose a bitter, clamorous howl against all banks and against all bondholders. The Greenback Party came into existence, demanding that the national debt be paid off entirely by the printing of irredeemable paper money. The banks were accused of getting double income on the same investment. The new railroads of the West were flooding the East with farm products, thus wrecking eastern agriculture. The western farmers were selling their surplus products for anything they could get, and were burning their corn for fuel.

The railroads had been built speculatively, were not under public regulation, and were charging anything they could get for moving crops eastward and carrying supplies westward. Competition between the railroad lines was fierce, and every shipper had his own rebate, or secret rate. Wars for passenger traffic caused ruinous fluctuation in railroad fares. In the western mind, railroads and banks and so-called "sound money" were all of them merely part and parcel of the monstrous conspiracy of the creditor East against the debt-ridden, disillusioned West.

In the process of getting ready for the resumption of so-called specie payments (resumption occurred at the end of 1878 during the Hayes administration, with John Sherman as Secretary of the Treasury) silver was demonetized in 1873. We were not actually circulating either gold or silver at that time as standard legal tender. The abandonment of silver as a money metal having the same validity as gold was not even a matter of discussion in 1873. It was a casual, rather accidental detail. The bullion market at that time made silver the scarcer and dearer metal, at the legal ratio of sixteen to one. Nobody thought any harm had been done by planning for resumption on the single gold basis, by the act of January, 1875.

But it so happened, a few years later, that the discovery of new silver mines in the West, and the inven-



FRANKLIN D. ROOSEVELT, by signing the Farm Relief-Inflation Measure, assumes the broadest powers conferred by Congress upon any peace-time president. Others in the group, left to right, include Representatives Wall Doxey of Mississippi and Hampton P. Fulmer of South Carolina; George Peek of Illinois, Administrator of the Agricultural Adjustment Act; Senator Marvin Jones of Texas; Louis J. Taber, head of the National Grange; Senator Ellison D. Smith of South Carolina; Henry J. Morgenthau, Jr., Farm Credit Director, and Henry A. Wallace, Secretary of Agriculture.

tion of processes for recovering silver from low-grade ore, had completely changed the price relations of gold and silver in the ordinary market for these metals. Silver mining in Colorado, Nevada, Montana and other western regions was suddenly producing unexpected quantities of a metal that could no longer be taken to the mint and exchanged for legal-tender silver dollars. The fall in the price of silver bullion was rapid, and people throughout the West began to think fondly of the big round silver dollars that had been so popular at an earlier period. They demanded the reopening of the mints at the old ratio. This, of course, would have thrown gold out of actual use as a money metal, and we would have dropped to a silver basis like Mexico.

Bryan and the Fight for Free Silver

THE WEST was heavily in debt and profoundly discouraged. The South was in a similar condition. Free silver coinage was hailed as the panacea for all the country's troubles. The free-silver movement culminated in the presidential campaign of 1896. It had previously gained control of Congress, but Grover Cleveland had stood like a rock against what was regarded in the East as a dishonest debasement of the money standard, with a scaling down of private and public debts.

The organization of silver-mine owners had its headquarters at Denver. Senator Stewart of Nevada was its commander-in-chief. It adopted a policy of systematic, house-to-house propaganda. William Jennings Bryan was a young orator who had served for a term or two in Congress, and had supported William L. Wilson (Democratic Chairman of the Ways and Means Committee) in a lowering of the Republican

tariff wall. Mr. Bryan's home was at Lincoln, Nebraska; but having lost his seat in Congress he worked for a time on Mr. Hitchcock's Democratic paper at Omaha. Having a remarkable talent for expounding any cause in which his mind and heart were enlisted, Mr. Bryan was employed on a modest salary by the Denver silver committee to speak constantly throughout the West and South in favor of free silver coinage.

For two years Mr. Bryan was thus engaged. Then came the remarkable Democratic convention of 1896 at Chicago. It was made up largely of men of a new type from the West and South. They were denounced in the East as men determined upon securing a dishonorable inflation of commodity prices by throwing the country upon a silver basis. But in their own minds they were indignant men, actuated by a sense of justice, and determined to deliver the country from the clutches of the gold-standard men of New York and the East. The convention was not of one mind at first. The so-called "sound-money Democrats", of the Grover Cleveland type, held uncompromisingly to their own opinions. At the crucial moment Mr. Bryan took the platform. He had been rehearsing his speech by day and by night for fully two years. His convention voice was magnificent, and his eloquence held the convention spellbound. He was nominated at once for the Presidency amidst scenes of wild enthusiasm that will hold a permanent page in our political and economic history.

The Republicans met in convention at St. Louis. For two years, Mr. Mark Hanna, a manufacturer of Cleveland, Ohio, had been going about the country quietly preparing for the nomination of William McKinley, his intimate friend. Mr. McKinley had long

served in Congress, had been the foremost advocate of high tariffs, and had more recently served as Governor of Ohio. He had always been a bimetallist, and had wanted to see the mints open again to the coinage of silver. The scientific leader of the bimetallist cause was General Francis A. Walker of the Massachusetts Institute of Technology, the country's foremost economic scholar, author and teacher. But General Walker and his friends knew that bimetallism to be successful would have to be based upon an international agreement. A group of continental countries including France, Italy, Belgium, Switzerland and certain others (known as the Latin Union) had recently abandoned silver as a full money metal.

This had further lowered the price of silver in the world markets. General Walker and his fellow students of the money question were fully convinced that the United States could not succeed with a policy of bimetallism by itself. As for the ratio of sixteen to one, they were also certain that the reopening of the mints would not suffice to restore a ratio from which silver had made such a long retreat.

Gold Upheld As Standard For the World

MR. McKINLEY was in some doubt, but at the last moment he was willing to accept the single gold standard plank of the St. Louis platform. Mr. Bryan had gradually lifted his "sixteen-to-one" formula to a firm level with his belief in the verbal inspiration of the Holy Scriptures. It was utterly useless at any time, even in subsequent years, to try to make him think that no ratio could be absolute, and that all money standards were merely matters of convenience and careful judgment.

It is curiously true that history is never written in finality. As times go by we see things in longer perspective, and are less certain that one side in a particular controversy was wholly wrong, and the other side wholly right. Mr. Bryan and his friends talked about the "Crime of 1873". We are today quite sure that the abandonment of silver (at a time when no silver was seeking coinage) had behind it no sinister motive whatsoever. It is quite possible, however, that if this change had not been made in 1873, silver would have reached the mints gradually, as bullion changes came about after our resumption of specie payments January 1, 1879.

We would probably have found ourselves practically shifted to silver as an alternative standard. We might then have decided to change the ratio, in recognition of the bullion market, and to put more weight into the silver dollar from time to time. Bryanism in 1896, if it had carried the election, might have caused a temporary bank panic. But the price of silver would certainly have gone up, and it is fairly probable that European countries would have found it necessary to join us in an international agreement for the rehabilitation of silver as a universal money metal.

The Democratic platform of the year 1900 again demanded free silver. But this was to save Mr. Bryan's consistency in view of the fact that he was again the Democratic candidate for President. Meanwhile he had worn the uniform of a militia colonel, and we had fought the Spanish War. We had acquired the Philippines, which was wholly against Mr. Bryan's sense of wise American policy, and he made his campaign of 1900 on the issue of imperialism. Mr. Mc-

Kinley was re-elected; but he was assassinated in the following year, and the Vice-President, Theodore Roosevelt, entered the White House.

At that very moment the British Empire was making war upon President Kruger of the Transvaal Republic in South Africa, in order to secure full possession of the most productive gold mines that had been opened since the rush to California half a century earlier. Our own discovery of gold in the Klondike at the same time—1896—reached a climax in 1898. With so much new gold coming in, and with improved processes for treating gold ores in other parts of the world, there was no longer any ground for saying that gold as a commodity was becoming scarce and dear. The gold standard for monetary purposes seemed to be fairly well justified as an objective reality. The British government went so far as to throw India off the silver basis in favor of gold; and this contributed further to the break-down of silver in the bullion market, and to its disparagement in Latin America as well as in the Orient from the monetary point of view.

The British Government always plays a bold game in its determination to rule the world's money markets, to maintain preëminence as the world's banking center, and to hold an unrivalled place in sea-borne commerce not less than in sea-power. But sometimes the superb economic statesmanship of Great Britain acts with sudden audacity, when caution would be the wiser policy. It was a mistake to throw India over to the gold basis in 1926.

Effects of the World War Upon Money

WE HAD BEEN TRYING, in our fumbling and short-sighted way, to learn something about banking after a century of bad experience; and so in 1913 we set up the Federal Reserve System. Our favorable balance of trade had made it easy to accumulate enough gold for bank reserves. We were allowing the Federal Reserve System to issue circulating notes against short-time commercial loans deposited for rediscount by the member banks. The gold standard was not questioned.

But then, as it happened, Europe went insane and plunged into the World War. All European countries abandoned the gold standard. We refused to allow a particle of gold to be exported, and therefore our gold basis was so restricted as to be purely nominal. Germany inflated its paper money until it took billions of marks to pay for an ordinary breakfast. This automatically wiped out all debts, public and private. In 1924, Germany resumed gold payments on a redemption-ratio of perhaps four or five billion marks of paper money to four marks of the new money (each mark being worth about 24 cents of our money). French inflation did not run wild, and the franc depreciated to only about one-sixth of its former value. France finally resumed gold payment with the present franc worth about 4 cents of our money. In former times we reckoned our dollar worth about five francs; but after the French resumption of gold payments an American dollar would buy 25 francs. This proceeding let the private debtor down rather hard, and reduced the domestic war debt of France to something like twenty per cent. of the original.

British inflation did not go so far by any means. As measured in our gold dollars the pound sterling at the worst had drifted down from \$4.86 to perhaps

\$3.25. This lightened the burden of private debts, and also helped the government to handle its exceedingly heavy war debt. But in 1925 it seemed to British political and financial leaders that London's preëminence would pass permanently to New York unless the paper pound were made redeemable freely on the former gold basis, namely, a little less than the equivalent of five dollars. So Britain resumed gold payments.

In 1931 business and banking conditions in Austria and Germany suffered such collapse that the entire world was affected. Banking centers were trying to protect their gold reserves, and were competing with one another to secure gold from the larger reserves such as those of France, England and America. Undoubtedly London had assumed the burden of gold resumption too confidently, and with far too much optimism. The flight of gold took the form of private hoardings as well as that of legitimate transfer through trade balances and the sale of foreign securities. The Bank of England did everything in its power, but it had to face the inevitable. Great Britain went off the gold standard again on September 20, 1931, and the pound sterling drifted down to a low of \$3.14 in December, 1932 in its American exchange valuation. The rest of the British Empire naturally follows London, and the full gold standard was not in much evidence anywhere except in the United States and France.

Benefits From Our Recent Banking Crisis

OUR OWN NATION-WIDE banking collapse in the opening days of March is too recent a matter for detailed mention at this point, except as it bears upon the striking and even sensational policies that belong to the record of April and May. The future student of our monetary and financial history will find chapters of the most thrilling interest, when he reads about the decisions and transactions of the closing months of the fiscal year that will end with the last day of June, 1933.

Marvelous are the cures that are often wrought in individual cases by some strong appeal that is made to the imagination, or by hopeful assurances that react upon sensitive natures. States of mind in analogous fashion affect communities and nations. In our economic life we had been circling downward along a spiral ramp or stairway into gloomy dungeons. Everything seemed malodorous, dank, and utterly cheerless. We were told that there was no escape. Our civilization was not merely doomed but was already at an end.

If prevailing states of mind were not quite so desperate as all that, they were certainly gloomy enough. Many of the most trusted leaders in public affairs were fully convinced that there could be no early recovery from chaotic conditions that affected the world at large. In a radio address to the American people Sunday evening, May 7, President Roosevelt began by reviewing conditions that existed two months earlier as his administration began. At that time, he declared, "the country was dying by inches". He proceeded as follows: "It was dying because trade and commerce had declined to dangerously low levels; prices for basic commodities were such as to destroy the value of the assets of national institutions, such as banks, savings banks, insurance companies and others. These institutions, because of their great needs, were foreclosing mortgages, calling loans, refusing credits. Thus there was actually in process of destruction the property of

millions of people who had borrowed money on that property in terms of dollars, which had had an entirely different value from the level of March, 1933."

So far as we were concerned in the United States, this condition was due chiefly to still worse conditions in Europe and elsewhere, which had caused paralysis of international trade, complete collapse of domestic and foreign credit, and such economic breakdown as had been unknown for generations. Emotions of hope and fear are transmitted nowadays across land and sea by radio and cable. With all this quickness of communication, it still seems true that bad news travels faster than good news. Americans became frightened about their dollars. They took money out of banks and locked it up or hid it away.

President Roosevelt, coming into office March 4, found banks closing everywhere. He called the new Congress into session at once. He was given dictatorial power to deal with the banking situation, and also to control the national stock of gold. Hoarders were ferreted out and compelled to put their gold back where it would serve to support bank credit. Depositors were assured that all good banks would be supported, and that there was nothing more to be scared about. The temporary bank collapse, followed by a brief moratorium, was harmful to business in its ordinary courses; but in larger aspects it was an exceedingly good thing for the country.

The bank crisis stirred public opinion to its depths. It broke the pride and arrogance of the bankers throughout the country who had preferred independence in their own financial centers to the acceptance of a safe, unified American banking system to which they would have had to become obedient and duly subordinate. They had insisted upon keeping forty-eight different state banking systems, and two or three kinds of Federal banking systems. In highly prosperous times most banks seem to be sound enough, and they share the business success that is general in their environment. But the object of banks is to be bulwarks of support for business at large when times are less prosperous. Under our system the banks have been cowardly and selfish at the very moments when in other countries banks are courageous and helpful. Finally, in the crisis of late February and early March the public lost all confidence in the banks; and in their prostrate condition the bankers turned with one accord to the Government.

Aroused Public Opinion Asserts Itself

THEN CAME the great triumph of the force that ultimately rules America. Public opinion aroused itself, and instructed Congress to follow the President for the simple reason that we needed leadership, and nobody else could possibly lead under our system except the chosen head of the Government. Our bankers for the most part are men of trained ability, of business probity, and of high personal honor. The discipline of these past months has changed their mental attitude; they are now willing to let the United States have a good banking system.

But our awakened public opinion did something more than sustain Franklin Roosevelt as a leader in the banking emergency. It suddenly realized that we had never recovered from that almost complete absorption by Government of all our liberty of action, and all our control of enterprise and of capital assets, that began in the period from 1917 to 1920. Conditions were still

abnormal; and through Government alone could we be led out of the chaos that had resulted from the Great War as a stupendous Government monopoly.

Speculation follows war. The resources of energy that war releases are turned feverishly to peace-time activities when war is over. During and after the war years, Europe demanded munitions, machinery, food, and a thousand other things. With Europe absorbed in war, the markets also of South America, Asia and Africa had been open to American commerce. We created a merchant marine at great cost, and thought these markets would be ours for all time. But Europe went back to work again, and in due time we discovered that we had been lending billions of dollars to foreign countries, with a part of which they had been buying supplies from us. Most of what we loaned them they used for various purposes of their own, without any nice scruples about ever paying it back. Our foreign markets were gone. The capacity of our factories was now far beyond home needs. We were producing surplus food supplies, also, that we could not consume, and could not sell abroad.

But while we were running the country on the extravagant lines of those years of false prosperity, the politicians were raising immense public revenues, national and local, in order to benefit themselves and others by the distribution of current funds. This gave the lobbies their chance. During the war period, the one great lobby that appreciably enhanced the cost of the undertaking was the labor lobby. The selective draft law that was meant to give us a work army was deflected in its administration, and resulted in the selection of men for the army and the navy. In munition plants, in shipyards, in the government-operated railroad system, wages were at once doubled, and in some places they were quadrupled, even before the cost of living had justified any advance of wage levels. The labor lobby dominated the Government through its stranglehold upon Congress. The Administration was honest, but it had to push the war. It could not turn aside to deal effectively with "cost-plus" contractors, or with notorious conditions in the shipyards.

It was the amazing and unbelievable triumph of the labor lobby—which, among other things, had seized control of the great American railroad system—that resulted in the creation of the veterans' lobby. The boys in uniform had gone to France under hard conditions, and had been paid about one-tenth of the wages that many of their less capable and less plucky brothers and cousins had earned in so-called "war industries" here at home. Hence came the soldiers' demand for "adjusted compensation" known as the "bonus". Hence, also, came the pressure upon Congress which resulted in the rapid swelling of soldiers' pensions and allowances of one kind or another, until the federal treasury was paying a billion dollars a year to be distributed through the Veterans' Bureau. Compared with France, Germany, England, Italy, Russia and even smaller countries like Belgium, our army had served for a short period, and had suffered relatively slight losses. Yet we were paying out more money annually for veterans' benefits than all the other governments of the world put together.

During the prosperous years, Congress had raised revenues by the convenient plan known as "soaking the rich". It had exempted the mass of citizens from paying income taxes, and had taxed at high progressive

rates the incomes of wealthy people, and the earnings of incorporated business enterprises. But when hard times came after 1929, the so-called rich soon lost their incomes, and the corporations to a great extent were not earning their dividends. The federal government found itself in peace times paying out twice as much money for current expenses as it was receiving in current income. It was borrowing money by the billions in order (among other extravagances) to pay hundreds of millions each year to beneficiaries on the veteran roll many of whom were not entitled to a penny.

Why did Congress persist in such dissolute behavior? The answer is quite simple. There are several hundred members of Congress, and each individual of them can dodge responsibility. Lobbies nowadays are not haphazard. They are organized on the vertical plan. The veterans' lobby, imitating the labor lobby, kept a check on every Congressman in all his public and private activities. Back in his district were the local veterans' organizations which, like the labor organizations, could break down any Congressman who opposed their insatiable demands.

The President Carries the Economy Bill

AND WHAT BEARING have these allusions to lobbies upon the situation that confronted the Roosevelt Administration as it took office on the fourth of March?

That question can be answered quite easily. The Democratic platform had promised to reduce expenditures by 25 per cent., and to balance the budget. Mr. Roosevelt took this declaration seriously. But he would have been as helpless to carry it out as was President Hoover, except for two things. One of those things was the overwhelming sweep of the Democratic victory that had not only given Mr. Roosevelt personal prestige, but that had also given large Democratic majorities in both houses of Congress, with many new men superseding those who had served in the Seventy-Second Congress. In every district there were Democrats in abundance who wanted postmasterships and other offices.

They wanted these jobs all the more, because almost anything is desirable in times of widespread unemployment. The new Congressmen could not have been influential in dispensing local patronage if they had refused to follow the President in public policies that he regarded as of vital importance. It was good politics, and fair play, to hold back the patronage while the Roosevelt program was making its way through the extra session of Congress.

But there was another consideration that was of even greater force than the matter of patronage. This was the resistless power that we have already mentioned, namely, that of an aroused public opinion. As we remarked last month, Congressmen are usually men of superior ability and character, and they greatly prefer to do what is right, if only they can avoid committing political suicide. If public-spirited citizens in their districts are sufficiently aware of their own responsibilities, they can convert their politicians at Washington into statesmen. All they have to do is to send a bigger pile of letters and telegrams than are sent on behalf of the selfish lobbies.

This is what actually happened in March when the Economy Bill was pending. The bank crisis had made people understand that the President must be supported. They came to a realizing sense of the fact that

the Economy measure, as shaped for the President by the budget officer, Hon. Lewis W. Douglas, could not win its way unless they insisted that their Congressmen and their Senators support the President. We could not go on borrowing money to pay current bills. The Government's credit was already suffering. The budget had to be balanced. We could not raise enough money by new taxes to meet current appropriations. The biggest item to be cut was that of the aggregate sum going to the Veterans' Bureau.

Mr. Douglas, as a member of Congress from Arizona, had done his best to help President Hoover cut this same veterans' appropriation last year. But the Seventy-Second Congress was in the clutches of the veterans' lobby. Public opinion did not rise with sufficient strength to the support of Mr. Hoover. The bank panic, however, had scared everybody who had average intelligence and character into a willingness to allow honesty and decency to prevail. We could take our choice between following President Roosevelt or plunging the country into hopeless chaos. Public opinion chose to serve notice upon Congressmen that it would be better for them to follow the President than to accept the dictation of the veterans' lobby. And so the economy bill went through both houses of Congress with strong majorities.

Passing the Economy bill did not at the moment set the wheels of industry moving, reduce unemployment, raise the price averages of commodities, or protect farms and homes from foreclosure. But it showed that the country in a serious emergency could rise to the level of common sense, and do something to save itself. With power in the President's hand to rearrange departments and bureaus, and with budget details adjusted all along the line, Congress might have adjourned at once, with the assurance that the country could work its way out of the depression. But there were additional measures of an extraordinary character to which the Democratic Congress felt itself committed. Furthermore, Mr. Roosevelt, during the campaign, had given general assurances which, as it now appears, were not for electioneering buncombe but for serious and prompt action. He had expressed the belief that farm troubles could be met by measures that would serve to lift the level of agricultural prices, while also helping to curtail surplus production. Also, he had proposed to unify farm credit facilities in such a way as to give farmers the benefit of long-time loans at low rates of interest, thus saving them from the danger of mortgage foreclosure.

New Plans to Relieve the Farmers

for monetary inflation of some kind. A number of bills to this effect were introduced in Congress. The paper-money inflationists were at the front again, with renewed zeal and unabated fanaticism. The silver-men were organized with formidable support for their theories and their definite proposals. It had not been supposed that Congress was ready to entertain the idea that the weight of the gold dollar might be changed from time to time, although that view had been seriously discussed more than once during recent years in the pages of this magazine.

Throughout the month of April, farm proposals and monetary inflation proposals were undergoing the proc-

ess of serious debate, without any show of disgraceful filibustering, or of insolent lobbying. President Roosevelt did not try to make Congress act precipitately. Reasonable opportunity was given for debate. The President called in groups of Congressmen, from time to time, and talked with them in his candid and persuasive fashion. As regards the farm proposals, it had been evident from the first that they must be handled experimentally by executive officers having large discretion. Congress was willing to give President Roosevelt and the Secretary of Agriculture, Mr. Wallace, an unprecedented freedom of action in efforts to lift the farm prices of staple commodities, along with efforts to reduce crop acreage.

It remains to be seen what Secretary Wallace can do with wholly untried forms of discretion, as regards the means for improving farm prices that have been placed in his hands. Mr. Wallace is no visionary. He is no victim of half-baked theories. Like his father who was once Secretary of Agriculture, and his grandfather who was a farm editor and a broad-minded apostle of rural life, the present Secretary has strong convictions, along with open-mindedness. And he has youthful courage to set out upon adventures.

We may attach more importance or less to these new proposals on behalf of agriculture. The country should not expect them to work magic. President Roosevelt had first believed that he could put a million men at work without delay upon the job of starting new forests throughout the United States. His visions of reforestation did him credit. He has successfully advertised the idea to the country. More recently, he thought we could assemble a quarter-million of men in summer camps for scientific forestry. But the unemployed are not so eager to go into such camps.

Inflation as the President Decides

WE SHALL WAIT and see what comes of forestry camps and farm relief; and while waiting we shall give ardent support and extend our best wishes. But what we must regard as the truly historic features of the bill that President Roosevelt signed on Friday, May 12, were those that had to do with so-called monetary "inflation". Reverting to an earlier remark in these pages, it is marvelous how mere states of mind may work changes, even where nothing has actually happened. It was insistently declared well in advance that Congress was passing inflation measures. It was, in point of fact, doing nothing of the kind. Mr. Hoover last year stood firm with the veto weapon against Patmanism and other forms of dangerous inflation. A week or ten days before the bill in question was signed by the President, the inflation boom was on its way. Stock market prices were advancing in New York, and wheat and other commodities were advancing in Chicago and elsewhere. It was commonly stated throughout the country that Congress had already enacted inflation measures, and that we were at once feeling the benefits. As Mark Twain would have put it, the reports of inflation were at least "greatly exaggerated". Here we have a striking paradox. The country imagined that it had taken the inflation dope, with immediate and marvelous benefit. And so the country began to behave itself normally, in the economic sense, with no actual inflation.

It lies always within the power of any government to debase its monetary standard, or to inflate its currency either moderately or wildly. The bill that Mr. Roose-

velt signed does not do any of these things. It still remains within the power of our government, now as in all previous times, to inflate or to deflate currencies or to change standards of value. What then has happened? Again the answer is quite simple. Congress has conferred upon the Executive department certain discretions, to be exercised or not to be exercised as may seem best to the President. This is highly fortunate. We were in imminent danger of having Congress pass inflation bills with majorities great enough to put them on the statute books over the veto of the President.

Senator Reed of Pennsylvania and other able men who oppose inflation were debating the question in such a way as to give the country an entirely mistaken impression. They did not represent an alternative that was at this time possible. Where did the alternative lie? Simply between paper-money and inflation measures like that of Mr. Patman, with free-silver at inflationary ratios on the one hand, while on the other hand there was self-denial on the part of Congress, with consent to leave monetary readjustments to be made in future at President Roosevelt's discretion.

Obviously the President is not obliged to reduce the quantity of gold in the dollar. He is not obliged to flood the country with irredeemable paper. We were compelled, however, some ten days before the end of April, to take steps which amounted to our suspension of gold payments. The European situation was such that we refused to allow American gold to go abroad. We have ample gold in reserve, and can go back to free gold payments whenever it may seem desirable. President Roosevelt's management of the gold situation has been highly advantageous to the United States.

Foreign banks and agencies had been benefitted by the freedom with which they could exchange American paper money and American securities for gold from our Treasury or Federal Reserve Banks. Our new gold strategy took effect at the moment when Prime Minister MacDonald and M. Herriot, the representative of France, were arriving to confer with the President.

A new turn has been given to the international situation. The Economic Conference which will meet in London on or about June 12 will have as one of its principal objects the adjustment of currencies and monetary exchanges. Through the Federal Reserve System we shall doubtless offer the country increased volumes of currency, provided business can make use of more than is already available. There is plenty of evidence that we need to quicken the movement of business. It is harder, though, to find valid evidence to show that good would result from paper-money inflation.

It is of tremendous value, however, that for at least seven months to come the power to inflate or not to inflate is in the hands of President Roosevelt exclusively. The special session ought to adjourn soon after June 1. Under the new amendment to the Constitution the Seventy-Third Congress will meet in its first regular session on January 3. President Roosevelt has explained that he will endeavor through a combination of measures to bring prices, especially those of farm products, up to what may be regarded as normal.

Various problems of commercial relationship will be discussed more specifically in our next number. Our principal trade competitors have, as a rule, close working alliances between government and business. Our own disadvantages have been due above all else to the fact that Congress—which cannot exercise leadership—

can always obstruct and deadlock timely action. Prime ministers, whether at Ottawa, at London, at Paris or at Berlin, can usually rearrange tariff situations to meet emergencies overnight, or on a week's notice. By contrast, it took our government fourteen months to make the Hawley-Smoot tariff. President Roosevelt can accomplish important things at the Economic Conference in London if Congress will but give him something like the freedom of action that will be exercised by the representatives of other governments. Our readers are advised to study carefully the article by Mr. Simonds that follows immediately after these editorial comments. He writes from Washington, where he has been in close contact with the situations—especially those of international bearing—that his article discusses.

One of the foremost topics at the Economic Conference will be that of monetary standards. It is our own opinion that the temporary suspension of gold payments by the United States will have proved to be the essential means by which to bring Great Britain and other countries back to an early resumption of gold payments. Our standard dollar contains 25.8 grains of gold of ninety per cent. fineness. The British pound sterling contains about 13 cents less than five of our gold dollars. If President Roosevelt should slightly reduce the nominal weight of the dollar, nobody could be appreciably hurt (in the sense of direct loss) except people who have been hoarding gold dollars surreptitiously. But even they could not be really injured, because they could sell their gold, whether coined or uncoined, for an increased number of the new dollars.

We are not aware that the present situation, as regards commodity price levels, could now justify any considerable reduction in the content of the gold dollar. Prices will advance when people can afford to buy things that they want. But we believe it would be desirable at this time to enter into a world agreement about gold, and also silver, that would simplify international exchanges, and make possible a return by all solvent countries to a sound monetary basis.

With such an arrangement, accompanied by agreements to remove some of the tariff barriers that now obstruct trade, it ought to be possible to enter upon a new period in the national and the international history of monetary systems. All this can be done if the European leaders of government and business are as willing to have it so as are the American people, who have given President Roosevelt a moral and intellectual mandate. Taking the gold situation as it stands, it might prove feasible to adjust the gold dollar at 25 grains instead of 25.8. Or, the inflation spirit might lead Mr. Roosevelt to recommend 24 grains, or even to resume gold payments on the basis of a 20-grain dollar. It would be easy then for Great Britain to resume on the basis of a pound sterling exactly equal to four American dollars. The French franc could be adjusted so that a hundred francs would be the exact equivalent in gold content of four American dollars, or of one British pound.

On May 16 President Roosevelt addressed a bold message to the rulers and peoples of all countries, including Russia, demanding peace through the abolition of the instruments of offensive warfare. Chancellor Hitler on the following day addressed the Reichstag. He demanded equality for Germany, but favored Mr. Roosevelt's views on disarmament. Prospects for the world conferences were at least improved by the position of the United States.

Washington Goes to London

The World Looks to the Economic Conference to Rescue Civilization

THE FORTHCOMING Economic Conference is regarded on all sides as the most important international meeting in the post-war period and as a conclave likely to exercise incalculable influence upon future events. In a word, it may not only advance or postpone the arrival of recovery in the world but also settle the question of peace or war in Europe.

On the practical side the results of the conversations between President Roosevelt and the foreign statesmen in Washington were slight and frankly disappointing. By contrast, on the psychological side, and particularly in respect of the French, they were unexpectedly pleasing. Nothing was definitely agreed on any one of the three great questions which must be adjusted at London, namely: war debts, tariff reductions, and currency stabilization. As to the matter of debts, the President did not feel himself free to give any assurances of actual reduction, or of another moratorium to cover the period of the London Conference. MacDonald and Herriot carried away a distinct impression of presidential sympathy with their own views, but they returned to Europe without assurances. The fact that they came back empty-handed deprived their welcome of more than perfunctory heartiness.

From the European point of view, nothing can be achieved at London unless, as MacDonald said after his return, there is a definitive settlement of debts; and as Daladier indicated when Herriot got back, such a settlement falls in with the Lausanne Agreement of last summer. This would mean a 90 per cent. scaling down of the debts. Whether such a settlement were made in the Conference, or in a discussion proceeding parallel to the major Conference, is of small importance. What is clear is that the larger meeting will wait on the lesser at all times.

The visiting statesmen, especially the French, were charmed with the President and with the cordiality of their welcome. They were pleased with Mr. Roosevelt's evident desire to coöperate, particularly in bringing the Arms Conference to a successful conclusion. The Conference has now been in progress for a year and a half without any other consequence than to disturb world tranquillity by its series of acute crises.

This concern of the President found concrete expression when the American representatives in Geneva



By FRANK H. SIMONDS

THE CALL FOR THE WORLD TRADE CONFERENCE

By Fitzpatrick in the
St. Louis Post-Dispatch

formally adopted the British plan for arms reduction and limitation. The development was followed by a direct intimation to Berlin of American anxiety over German policy at Geneva. But it did not forward matters at the Conference. Sessions still remain deadlocked as I write these lines. In addition, the President gave assurances, also emphasized later both in London and Paris, that he was prepared to go on with the Stimson idea of a consultative pact, which had been endorsed by both the Dem-

ocratic and Republican parties in their platforms.

While MacDonald and Herriot were pleased with the atmosphere they found, the financial and economic experts who accompanied them were less reassured. In point of fact, when the United States leaped off the gold standard while the French and British visitors were still on the ocean, the effect was to upset all preparations for discussion and automatically bring confusion to the conversations.

The British and French experts were unable to discover exactly what was the American program on stabilization. They were impressed with the idea that no program was actually in hand and that the Administration was frankly opportunistic in the matter of stabilization and inflation. To the economists of both sets of experts the prospects of inflation seemed very disquieting. Europeans have had close contact with the consequences of similar experiments in their own pastures. They were not convinced that America's course may differ in any great degree from that experienced by inflationist countries abroad.

IN THE FIELD of tariffs, there was a measure of agreement disclosed later in the assent to a tariff truce to run with the Conference in London. In America, however, this detail aroused small enthusiasm because it was paralleled by a series of British private agreements which seemed to add to the obstacles the Conference was called to abolish. In Europe the scepticism was disclosed by these steps and by the conditions which surrounded the actual truce and reduced it to little more than a pious phrase without practical result.

Thus, on balance, the Europeans went home disappointed. The disappointment was political for Herriot and MacDonald who had hoped to obtain promises in

the matter of debts to strengthen their own situations on their domestic fronts. On the other hand, it was economic and financial for the experts and vastly more complete than for the statesmen. It is hardly an exaggeration to say that these experts were disgusted and a little disturbed. They came hoping to get some clear evidence of settled policy. They left more confused than ever and disquieted by what they felt to be the trend of American events.

It would be impossible to exaggerate the moral effect of the nation's sudden jump off the gold standard and the explanations given the visitors. Privately they were told that it was due to the apprehension created in the White House by the inflationary sentiment and plans in Congress. The President, it was explained to them, had taken this step to head off the silver and other agitators in the Senate.

But this explanation only increased European anxiety over the possible action of Congress and awakened new doubts as to the President's ability to check Congress. The French recalled their unhappy experience in making a peace treaty with Woodrow Wilson on the assumption that he represented the nation, only to be faced with the rejection of the contract by the Senate. That doubt of the extent of presidential control must have a marked effect at London.

Last of all, one must record that the British and French visitors showed equal pessimism over the political situation in Germany and the prospect of a new war. All agreed that the Continental conditions were more alarming than at any moment since the Armistice. All shared the dread lest hostilities should break out even as the London Conference was assembling. The effect of these apprehensions was to impart a touch of unreality to the whole Washington episode.

WHAT is to be said in looking forward to London? First of all nothing can be accomplished there unless simultaneously the debt question is settled, and settled in such fashion as must seem to the American public little short of cancellation. Europe is agreed that reparations and debts constitute impassable obstacles to the restoration of prosperity and must be removed. Agreement on some adjustment by a lump-sum payment is far from impossible; but again, only if the lump-sum were supplied by the sale of securities in the United States. Obviously, this would not constitute any European payment.

On the side of tariffs, the situation is even less reassuring. The United States is going to be asked to abandon the debts. Not less patently it will be called upon to make reciprocal sacrifices in the matter of customs duties. Even were agreement in London possible, any such revision of the American tariff by an international conference would have to be submitted to Congress along with the debt revision.

Finally the currency question opens the door wide to discussions and differences which can prove endless. The main issue will be between the United States and Britain. The discussion will not center so much on the point of the need for stabilization as on the relative positions of the two units, the dollar and the pound sterling. France, still on the gold standard, and having once suffered the process of stabilizing the franc at one-fifth the pre-war value, will naturally resist possible menace of British and American devaluations which might work hardship for her in world markets.

The single basis for expectation of any progress at the London Conference must flow from the fact that for all the sixty-six nations to be represented existing conditions are intolerable. It is barely possible that common suffering will impose common action. On the other hand the state of political and economic nationalism prevailing in all countries seems to offer no large chance of progress.

The practical conclusion to be drawn from the preliminary conversations in Washington was that it had been impossible for three great financial and economic powers of the world, Britain, France, and the United States, to get together. They failed to reach any common ground on any one of the three great issues which concerned all. If it was impossible in the case of three nations to agree, it is hardly likely to be more possible for sixty-six. For while the differences between the three were purely economic and financial, and none was faced by domestic, political, or social dangers, the sixty-six are divided by innumerable political disputes, and in many cases by social revolutions within their own frontiers.

It is fair to say that the outlook for London is not less favorable than that for Lausanne a year ago—and Lausanne was a success. On the other hand it is not dissimilar from the prospects of that Genoa Conference of 1922 which broke up in a tumult and proved the preface to the occupation of the Ruhr. The outlook for progress is bound to be still less favorable if the Arms Conference continues in deadlock or ends in a failure no longer to be disguised.

My own personal impression, after close contact with the visitors, was that nothing of real importance is likely to happen unless the President obtains from Congress authority to deal with both tariff and debt issues definitively. He would thus be in the position to act through members of the American delegation with the same power as foreign prime ministers. For the foreign delegations will not make concessions which would be definitive, if American counterbalancing concessions had thereafter to go before Congress and risk the rejection of the Treaty of Versailles.

AS I WRITE, no one in Washington knows the President's real view of the war debts. No one even knows if he has reached a decision upon the issue. He has been beaten upon by incredible congressional influence to dodge the issue and leave the debtor nations to pay or default on June 15. That is manifestly the easiest way. But default on June 15, following the meeting of the London Conference on June 12, is not likely to promote good feeling on either side of the Atlantic.

Vaguely, it would seem, the President is playing with the idea of obtaining a debt moratorium from Congress to last until the London Conference ends. Then he might sell debt reduction—approximating that cancellation which Europe insists upon—to the American public on the basis of the achievement of the Economic Conference. As a bit of political strategy this program is obviously ingenious but the difficulties are plain. Europe is not likely to contribute much to the achievement of the Economic Conference while the debt issue remains unsettled. Thus, the most obvious possibility is not parallel progress toward tariff and currency adjustment on the one hand, and debt settlement on the other, but concomitant paralysis in both matters.

SCANDLIN has captured the quality called "modern" in this far from prosaic study shown at the left—below. The hair portrays its color in black and white. At the right below we have the well-known photographer Lejaren A. Hiller in a whimsical and up-to-the-minute pose.



Photography Comes of Age

By THOMAS J. MALONEY

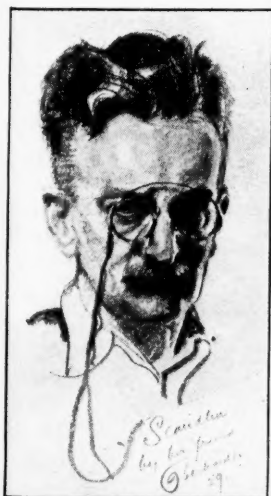
BEFORE VENTURING into verbiage on the facts and fallacies of camera pictures and their makers, consider this unusual fact. You may look through the ensuing pages and see examples of the work of some of our best known photographers. More. You will see pictures they chose as those they preferred to accompany their portraits in a story on photography.

The photographer earns his living by producing a picture someone else wants to show as an illustration for an advertisement, a magazine, or a newspaper. If he is an artist—a moot question—he is a commercial artist and more often

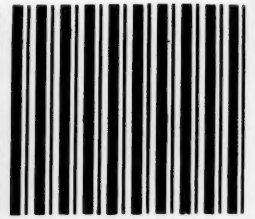
than not the work he shows you is merely a translation into his medium of the demands of his current client. In these pages he shows you *what he likes* in his own work, giving you a better than average glimpse of the successor to Currier and Ives as print maker to the American people.

And what a successor! The variety, volume, and speed with which Currier and Ives lithographic prints were turned out in their day was astonishing. Multiply that variety, volume, and speed by one thousand and you merely approximate the vast domain of photography today. In the pictorial record of historic events alone the changes of the past seventy-five years have been revolutionary. In 1865 a lithographic print, slowly distributed from state to state, told the story of the assassination of President Lincoln. Contrast with that simple record the deluge of photographs of every available detail of the attempted assassination of President-elect Roosevelt at Miami last February. In a few hours a graphic tale of the 1933 affair had been circulated throughout the land by press, by wire, and by movie. Every hamlet in America had the complete story within a week.

When future generations classify contributions to



HORACE SCANDLIN, by his friend and master pencil craftsman, Bill Oberhardt. Scandlin's pictures of babies are photographic masterpieces.



BERT CLARK THAYER plays an important part in many familiar advertising campaigns. The posing of his subway shot (left column) was difficult, but Thayer's balance is perfect. His evident sense of humor is also manifest in the accompanying portrait of himself in a wonderland of mirrors and lens distortion.

living in the first half of the twentieth century, they will probably place the realistic photo in the first rank. What other medium of expression can disseminate information among so large a number of people? Today no aspect of life, whether in the jungle of Africa or on the Riviera, is hidden from the dwellers in Nome or Timbuctu. News photographers go everywhere and see everything. Their achievements have been aptly described in these lines by William Rose Benét:

Hail to that nonpareil of the press, the newspaper photographer
 Half alligator and half geographer.
 Who perches even on top of a skyscraper or steeple
 To take pictures of a lot of prominent people.
 Whose tripod and flash powder at all wars
 Positively decimate whole army corps;
 Reveals deserts full of bandits and cactus'es
 Or Irish monsignors, or the dental display of act'esses,
 Who illumines Mae West among her piles of pillas
 Or Palm Beach colonists in pajamas at their villas.

Hail all hail to the newspaper photographer
 Half alligator and half geographer.

Present day photography is a living record, not a dead tabulation. The stunts which provide bread and butter for newspaper and newsreel cameramen, are only one side of this picture. Let us follow the craft or art in some of its finer phases.

We cannot go far without noting important names in the profession. Among them are: Steichen, Rittase, Bruehl, Bourke-White, Scandlin, Thayer, Hesse, Murray, Hiller, McDonald, Kabel, Gerlach, Sheeler, Genthe, Struss, and Pennebaker, some of whose pictures appear in these pages. The work of these men and women takes us into the advertising agency and magazine illustration field. Excluding the portrait photographer who has been treated with a heavy hand by the depression, the photographer is mainly dependent on these outlets for his existence. And to a degree, the reverse situation is also true.

Advertising should be a realistic business, dealing in fact finding and fact presenting. Without question, next to actuality, a photograph is the best means of creating a concrete and believable knowledge of any subject. There are limitations, of course. Lack of

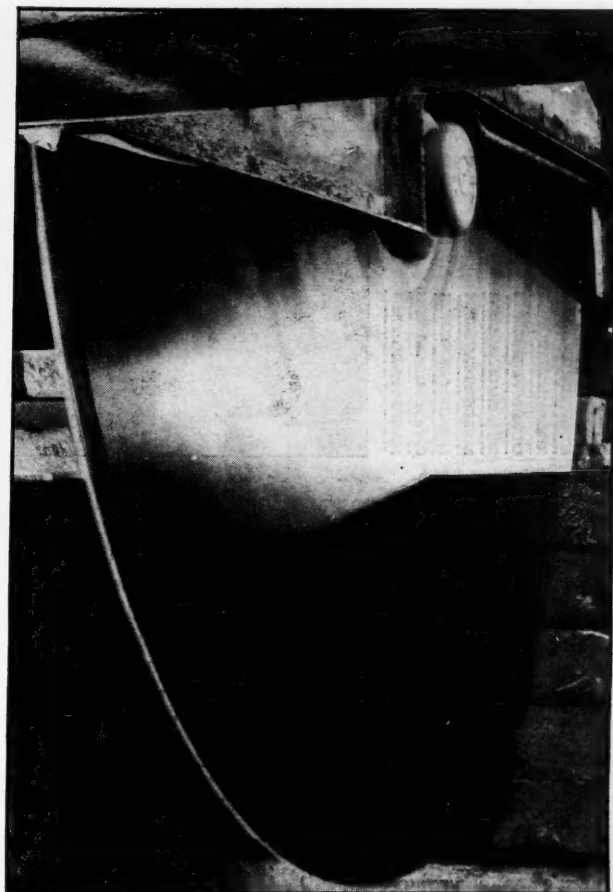




MARGARET BOURKE-WHITE has the touch and temper of overalls and sweat, steel and lubricant in her work. Her favorite photograph (right) shows a whirring saw cutting through blocks of limestone.



Paul J. Woolf



color is still one of them. But people have grown so used to the limitations that they accept the black and white reproduction without reservations. In fact, there are critics of color photography today who claim it doesn't have the realism of black and white.

With these things in mind, advertising quickly corralled photography and set it to work. It has been working over-time ever since. And that over-time has led to some amazing developments. The art director, trained in the old school of pencil and brush, soon revised his ideas about the limitations of the camera. His most patent criticism, "but you don't have freedom to portray what you like with the camera", was being smashed on all fronts. Photographers were doing unbelievable things. They were making their pictures speak more surely than art ever did. They watched

the flexibility of the motion picture and developed the *photo-montage*, a hodge-podge that can hit like a sledge and chime with the action of the jumping mind.

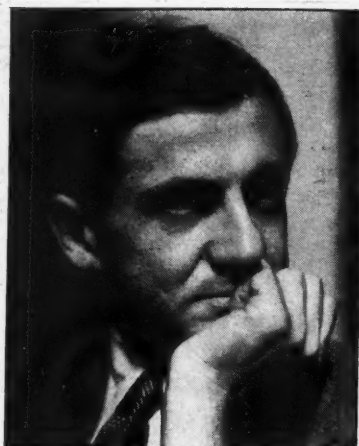
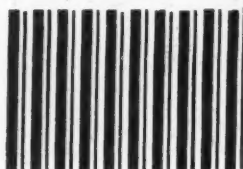
IN THE PERIODICAL FIELD, photographs are the red corpuscles in the blood of many a magazine. Take two extreme examples and think of the hundreds of case histories between. In the lower strata is the *True Story* magazine. All of its stories are completely illustrated with photographic shots made to put reality into the lines its audience is scanning. In the upper atmosphere are *Vanity Fair* and *Fortune*. Both are dependent on the photograph to carry the major portion of their reader interest. In each group good illustrations mean increased circulation.



WILLIAM RITTASE, artist, engineer and photographer, is a camera modernist in every sense and an interpreter of American Industry with no superior. The example of his work taken at Conowingo, Md., replete with action, diagonals, curves, symbolizes water power.



★
ANTON BRUEHL selects his favorite photograph, a study in gingham and straw, from a series recently taken in Mexico. It is in black and white, but color and realism are suggested.



The pleasure these pages present leads to the question noted previously: Is photography an art? The answer depends not on photography, but on the interpretation of the word "art". Here is a medium for presenting fact, fancy, and fantasy, just as these same are presented in type, in ink, in oil, and in metal and stone. Some of the results are pleasant, some exquisite, and some "tripe". The phonograph record is nothing but a medium for expression. That is all the camera is. But when the phonograph records Caruso, Pons, Tibbett, and Bori, it becomes a highly artistic medium. Likewise when the camera is in the hands of a David Hill, a Steichen, a Rittase, a Bruehl, it also becomes an artistic medium and the product, hung upon a wall or placed in a portfolio, is art.

Calling the work art is not praising, but merely classifying it. The art the advertising agency is looking for goes under the guise of sales results. The successful photographer must be constantly aware that "they also serve who only shout and sell"—begging John Milton's pardon.

MANY OF THE OUTSTANDING photographers today look back to training in art school and studio. Last summer New York's Modern Museum conducted a mural show that included the work of some of our foremost artists and photographers. Among the twelve photo-muralists who exhibited, Abbott, Gerlach, Locher, Rittase, Sheeler, and Steichen began their careers as art students. No one familiar with their painstaking efforts could be convinced that they entered photography because it offered a swifter and easier medium of expressing themselves.

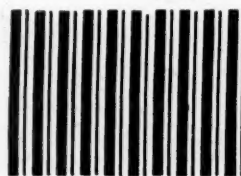
Incidentally, the photo-murals as a whole were not accorded three rousing cheers. In fact the critics took most of them to task as being inept and unsuited for the very roles they attempted to portray. So look not upon the successful photographer as one born beneath a lucky star. He is a hard working gentleman or gentlewoman. And that hard work includes physical as well as mental drudgery. His equipment is heavy and cumbersome, and lugging it about is all part of the day's duty.

In portraying industry, the American photographer has no equal. It is a sad commentary on American art that the artist hasn't even scratched the surface of the possibilities of American industry. The photographer has brought out the grandeur and strength of machinery and has glorified the machine age. He has

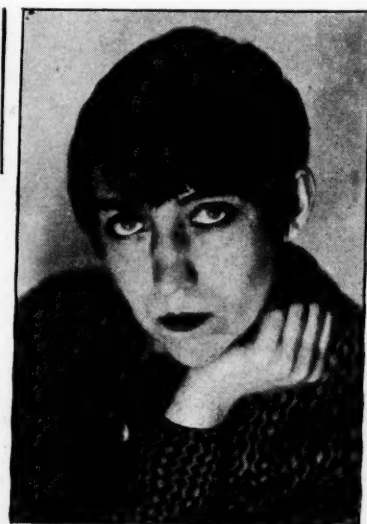


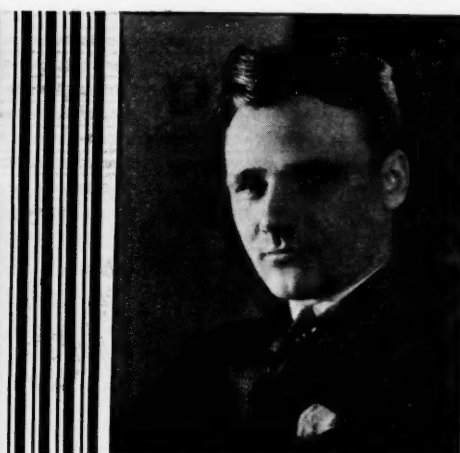
by no means laid it all before us as an open book. But he has dug into and become firmly entrenched in his industrial surroundings.

Rittase, who made the magnificent picture of the waters generating electricity at Conowingo on page 21, is an engineer, and he works in the industrial field as one to the manner born. Bourke-White is the "girl" who went to Russia and won acclaim for her photographs of their gigantic industrial experiment. Sheeler, using camera or brush, prefers his camera when he wanders through the manufacturing maze of Detroit. Bruehl pulls a motor into his studio and sends out a glossy print of cylinder heads and valve springs that is given first honors at the Art Directors' Annual Exhibit. And so on. Photographers have thrown into industry most of the romance that industry possesses. By their skill or magic they have made it appeal to the imagination of the public.



★
BERENICE ABBOTT has found her forte in murals like that pictured on the opposite page. Into this field a few pioneering camera artists are driving with amazing results and gratifying success.





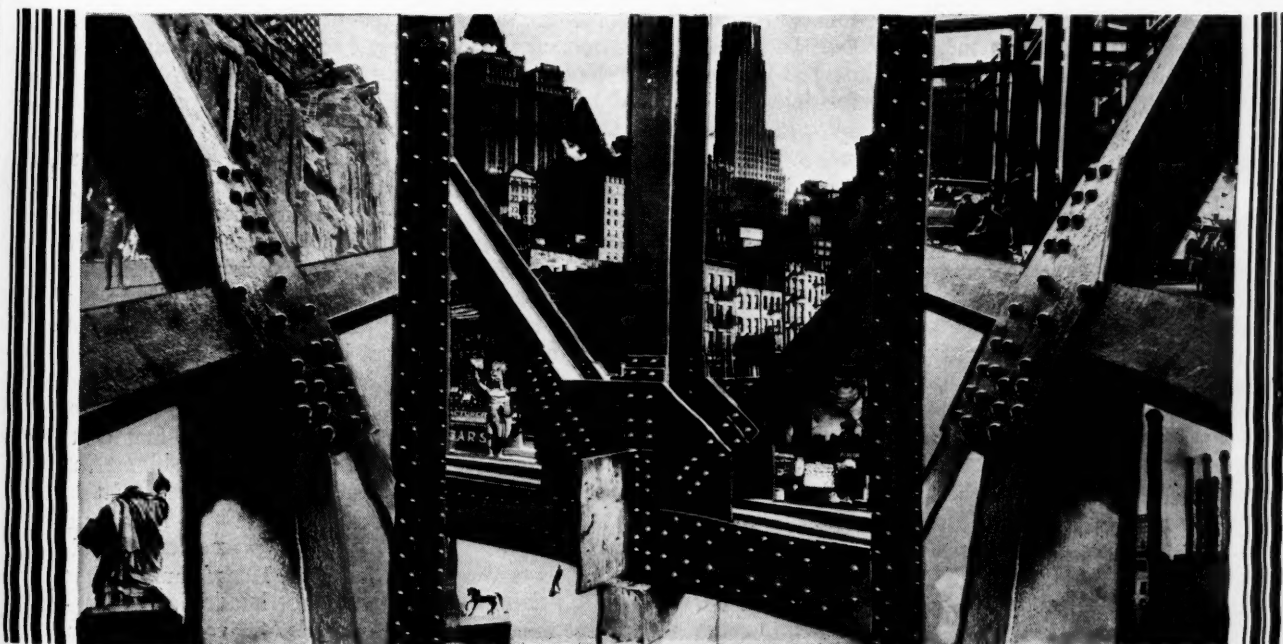
★ JOHN PAUL PENNEBAKER personifies ingenuity and his photo-montages are matched by few. His is one of the names that means Underwood & Underwood. The montage at the left is really three pictures.

DOES THE CAMERA ever lie? Of course it does. Along with other tricks achieved in seeking to give advertisers what they wanted, photographers found ways and means of picturing things as seemingly impossible as the divers who dive back to the springboard, or the poured water that returns to the bottle, in the movies. That beautiful car which the advertising copy says is racing through the gorgeous Rockies, was photographed in a garage on New York City's west side. Originally there was no more background than a white sheet. The scenery was added from another negative—later. Those clouds that seem too good to be true are just that. They were taken from a cloud file and filled in behind the flying formation of a squad of bombing planes.

Is there anything wrong in that? Not a thing. Photography is more concerned with the reproduction than with the print. The final test is the way a picture appears as advertisement or illustration. A good print is one that needs no retouching which costs money and may hurt certain qualities in reproduction.

The movies have been kind to photography. Their motion gave them certain advantages that photographers were envious of and tried to work into their own one-shot subjects. As a result more ingenuity was applied and better pictures obtained.

In France the *photo-montage* is popular. This is the use of overlaying scenes to tell a story, such as the World War episode in "Cavalcade" and the "Westclox" photo by John Pennebaker on this page. *Photo-montage* is still far from a popular medium here, though you can't go to a movie without seeing it in one form or another. In the main, however, advertisers are afraid to use it. Some day they will realize that the public is thoroughly familiar with this development and that it has vast possibilities. Photographers are aware of it already and using it. The photographer also realizes the immense research value of the movies in giving a cross-section of the consumer's tastes. But so many of his clients are still living and working in an aura of "I don't go to the movies", that he cannot make full use of his knowledge.





REVOLT in the Cornfields

By
JOHN SCHOLTE NOLLEN

President of Grinnell College, Iowa



TROOPS of the Iowa National Guard take charge of the area where farmers are rioting and demonstrating against foreclosures. Soldiers (at top) are shown keeping farmers moving about the courthouse at Denison, Iowa. Below they are pictured searching arrivals at the chattel sale of a farm.

MANY YEARS AGO a writer for the *Atlantic Monthly*, in a series of studies of the north central states, characterized the people of Iowa as "hopelessly sane". This quip had its justification. No other trans-Mississippi state has been so solidly and consistently conservative as Iowa. In the past her farmers as well as her town dwellers have been unshakably committed to the *status quo*, cherishing such ideals as loyalty, prosperity, temperance, sound money, law-and-order, and Republicanism. The Populist and Free Silver billows dashed in vain against this Gibraltar. Before the tidal wave of last November Iowa went Democratic but once in a national election, and then only apparently. That was in 1912 when Theodore Roosevelt split the Grand Old Party and elected Woodrow Wilson. There was not enough Progressive sentiment in Iowa then to give Teddy a plurality, and the Republican state ticket was elected as usual. There were, indeed, occasional symptoms of a growing progressivism in the election to the Senate of men like Dolliver, Cummins, Kenyon, and Brookhart. But in general the placid orthodoxy of the average Hawkeye could be taken for granted. Iowa was not news.

Then, last year, Iowa suddenly began to appear in headlines. There came announcement of the Farmers' Holiday Association, farmers fighting the testing of their cattle, embattled farmers forcibly stopping the foreclosure of mortgages and picketing highways to prevent the delivery of milk and live stock, farmers fighting sheriffs and their posses. Finally there came a crowning act of lawlessness when farmers dragged a judge from the bench, threatened and maltreated him, and after that news of martial law in seven counties. What is the reason for this violent revulsion from old habits of normalcy?

Reason enough. The business and industrial interests of the country have now suffered three and one-half years of depression, and their distress is acute. The farmers' depression began thirteen years ago with a disastrous slump from war and post-war prices. On top of this cumulated economic misery, the past three years have brought equally destructive drought and hailstorms to the disaffected northwest area of Iowa, where violence has recently broken out. Even where crops have been normal, thousands of farmers have found it impossible to pay interest and taxes, not to mention earning a profit on investments or a wage for hard labor. When such a situation continues year after year without a sign of abatement, and the farmer sees his hard-won acres slipping from his grasp and eviction staring him in the face, his sense of injustice and revolt against an apparently malign economic system becomes desperate. Since there is no law to protect him in his elementary rights, and the process of law seems to him rather a tool of oppression, he takes the law into his own hands. Lamentable, but altogether human.

THE situation is not improved by the fact that, in the large, the farmer is partly to blame for his own troubles. Speculation in land preceded that in stocks and was equally insane. Farmers in Iowa, and business men as well, thought war prices for agricultural products would last forever. Hence land sold at fantastic prices: two hundred, three hundred, four hundred, five hundred dollars an acre. Always land hungry,



A SHERIFF selling a farm under militia protection in Crawford County, Iowa. A previous sale of this farm was stopped by several hundred angry farmers who beat deputies with clubs and sticks. All in this crowd were searched for weapons as they arrived at the auction.



Cornfields by Owen M. Smith, from R. I. Nesmith & Associates

farmers bought additional acreage and mortgaged their holdings on inflated values for the purpose. In many instances farms on the present abnormally low market could not be sold for anything like enough to cover the mortgage.

The possession of the best land in the world, once the solidest of all investments, has become in such cases a liability rather than an asset. Yet the farmer clings to his acres with a tenacity born of millennial habit; and indeed, where shall he turn if he lose his farm? Add to this an absurdly obsolete tax system which lays practically the entire burden upon real property, and you have the farmer, once the backbone of our citizenship, driven helplessly into default and eviction. Of course this is the situation at its worst. There are many farmers whose land is unencumbered or who have superior skill and business sense, who have succeeded in weathering the storm as well as the abler merchant or manufacturer.

There is one further source of weakness in the relation of the American farmer to society. By habit and circumstance he is the world's best individualist and he has never been able collectively to show a united front in defending his own interests. American sectarian divisions are matched by the cleavage in the ranks of the farmers to three more or less hostile organizations representing their communal interests. There are the Grange, the Farm Bureau, and the Farmer's Union. The first two are conservative. The last is radical in tendency, and out of it grew the Farmers' Holiday Asso-

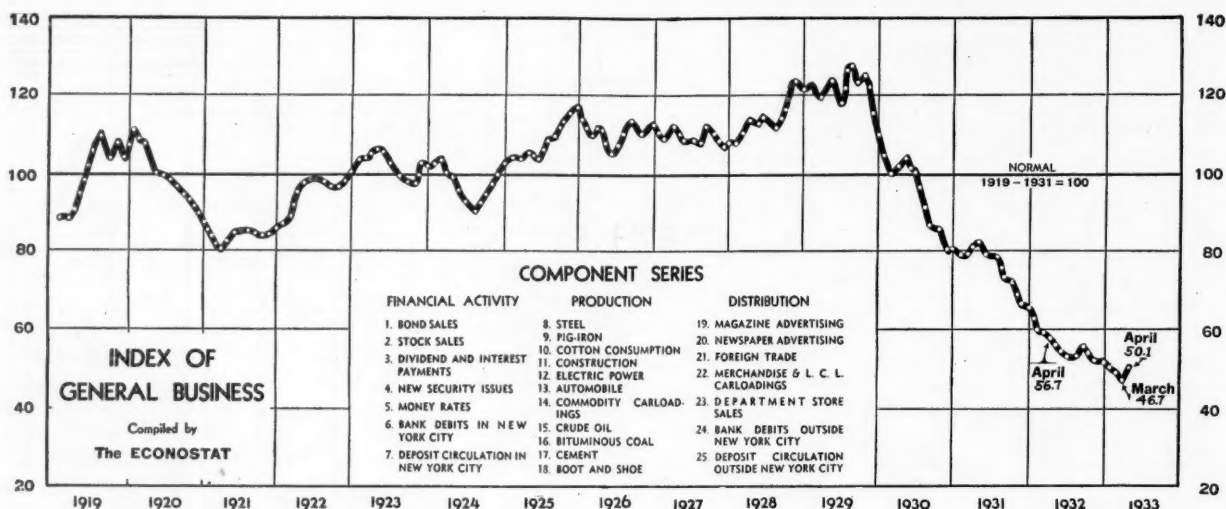
ciation, now just a year old, which has agitated for the application of the moratorium to the farmers' problems, and has been fighting evictions and ruinous prices.

THE RECENT sporadic outbreaks of lawlessness in the hard-hit northwestern section of the state are loosely connected with the Holiday Association. They have, however, no official sanction from this source, and they are deplored and roundly condemned by the vast majority of farmers throughout the state.

Nevertheless the "hopeless sanity" of the Iowa citizen has been rudely shaken. The astonishing political overturn of last November, when the Democrats were given overwhelming majorities for the state as well as the national ticket, proved that the *status quo* had lost its sanctity. It was the silent farmer vote that did the business. Just before the election experienced observers expected a close contest, but a Republican victory.

The state legislature thus chosen, made up largely of new men, was pledged from the first to radical tax reduction. Within the present archaic framework, drastic cuts have been voted, bearing most heavily upon the school system of the state. Meanwhile Governor Herring has had the intelligent initiative to engage the Brookings Institution, of Washington, D. C., for a thorough study of the economic and financial structure of Iowa. The report and recommendations of the Brookings' experts will come before the next session of the legislature in August for consideration. Possibly they will lead to the modernization of our fiscal system, of which the farmer must be the main beneficiary. If by that time the efforts of the national Administration to raise prices shall produce satisfactory results, the insurgency of the Iowa farmer will be a thing of the past.

THE INDEX OF GENERAL BUSINESS FOR APRIL



THE INDEX of general business compiled for the REVIEW OF REVIEWS by The ECONOSTAT shows for the month of April the sharpest advance since the fall of 1929. The rise from 46.7 per cent of normal to 50.1 per cent of normal in terms of the very low March level marks a rise of 7.3 per cent which is the strongest improvement since the index was first compiled.

This general measure of business activity is a composite yardstick of business volume based upon 25 statistical series reaching into every major form of economic activity in the country. Wherever necessary each series is corrected for price changes, e. g. depart-

ment store sales, or regular growth, e. g. electric power production. The items so corrected are then expressed as a per cent of the average for the base period which is 1919-1931. Each series is weighted according to its importance determined by the value of the product in the field and the number of employees. Where such emphasis is not possible an arbitrary weight is employed.

The twenty-five series are divided into three groups, finance, distribution and production. Each field is weighted according to its contribution to the national income.

INDEX OF GENERAL BUSINESS		UP	Newspaper Advertising		Index UP	Domestic Cotton Consumption		Index NO CHANGE
April, 1933.....	50.1		April, 1933.....	56	59,300,000	April, 1933.....	90	470,685
March, 1933.....	46.7		March, 1933.....	48	49,884,000	March, 1933.....	90	494,167
April, 1932.....	56.7		April, 1932.....	67	70,600,000	April, 1932.....	69	367,300
INDEX OF FINANCIAL ACTIVITY		UP	Foreign Trade		Index	Total Construction Contracts		Index UP
April, 1933.....	41.8		April, 1933.....	—	not available	April, 1933.....	29	Estimate
March, 1933.....	41.3		March, 1933.....	46	\$203,000,000	March, 1933.....	23	\$ 59,959,000
April, 1932.....	49.0		April, 1932.....	56	263,000,000	April, 1932.....	37	122,000,000
Bond Sales—N. Y. Stock Exch.		Index UP	Merchandise Carloadings		Index UP	Electric Power Production		Index UP
April, 1933.....	82	\$271,300,000	April, 1933.....	59	348,000	April, 1933.....	66	210,000,000
March, 1933.....	60	192,100,000	March, 1933.....	56	314,000	March, 1933.....	65	214,000,000
April, 1932.....	77	254,200,000	April, 1932.....	66	387,000	April, 1932.....	77	226,000,000
Stock Sales—N. Y. Stock Exch.		Index UP	Department Stores Sales		Index UP	U. S. Automobile Product'n		Index UP
April, 1933.....	54	52,900,000	April, 1933.....	79	68	April, 1933.....	37	170,000
March, 1933.....	20	20,090,000	March, 1933.....	67	56	March, 1933.....	26	110,748
April, 1932.....	32	31,400,000	April, 1932.....	87	80	April, 1932.....	32	148,326
Corp. Div. and Int. Payments		Index UP	Bank Debits Outside N. Y. City		Index DOWN	Commodity Carloadings		Index UP
April, 1933.....	82	\$561,279,000	April, 1933.....	57	\$10,933,000,000	April, 1933.....	51	154,000
March, 1933.....	79	430,350,000	March, 1933.....	69	13,300,000,000	March, 1933.....	48	153,000
April, 1932.....	96	654,000,000	April, 1932.....	74	14,366,000,000	April, 1932.....	56	169,000
New Corporate Security Issues		Index UP	Rate of Circulation of Bank Deposits		Index	Crude Oil Production		Index DOWN
April, 1933.....	2.7	\$17,300,000	April, 1933.....	—	not available	April, 1933.....	84	Estimate
March, 1933.....	.6	3,170,000	March, 1933.....	—	“	March, 1933.....	89	68,488,000
April, 1932.....	7.7	48,000,000	April, 1932.....	71	1.44	April, 1932.....	89	67,717,006
Money Rates in N. Y. City		Index DOWN	INDEX OF PRODUCTION		UP	Bituminous Coal Production		Index UP
April, 1933.....	27	1.22%	April, 1933.....	46.5		April, 1933.....	61	20,900,000
March, 1933.....	69	3.20%	March, 1933.....	41.2		March, 1933.....	55	23,540,000
April, 1932.....	55	2.53%	April, 1932.....	50.8		April, 1932.....	59	20,300,000
Bank Debits in N. Y. City		Index DOWN	Steel Ingot Production		Index UP	Portland Cement Production		Index UP
April, 1933.....	45	\$11,377,000,000	April, 1933.....	29	24.12%	April, 1933.....	—	not available
March, 1933.....	50	13,500,000,000	March, 1933.....	17	15.08%	March, 1933.....	29	16%
April, 1932.....	59	15,558,000,000	April, 1932.....	27	22.00%	April, 1932.....	35	25%
Rate of Circulation of Bank Deposits in N. Y. City		Index	Pig-Iron Production		Index UP	Boot and Shoe Production		Index
April, 1933.....	—	not available	April, 1933.....	21	20,787	April, 1933.....	—	not available
March, 1933.....	—	“	March, 1933.....	18	17,450	March, 1933.....	—	“
April, 1932.....	54	1.56	April, 1932.....	30	28,400	April, 1932.....	86	25,945,000
INDEX OF DISTRIBUTION		Index UP	Magazine Advertising		Index DOWN			
April, 1933.....	65.8		April, 1933.....	66	(agate lines)			
March, 1933.....	62.0		March, 1933.....	70	1,910,000			
April, 1932.....	70.7		April, 1932.....	62	1,791,000			
Magazine Advertising		Index DOWN						
April, 1933.....	66	1,910,000						
March, 1933.....	70	1,791,000						
April, 1932.....	62	1,777,000						

The End of Falling Prices

By JOSEPH STAGG LAWRENCE Editor, The Economist

TO UNDERSTAND the meaning of the farm relief-inflation measure signed by President Roosevelt on May 12, it is necessary to understand first the object to be effected, and secondly the philosophy of cure held by the Administration. Stated simply, the object of the legislation is to enable the Government to halt the depression, and to kick business around the corner which a host of more or less mistaken prophets have seen it turn during the past three years. The Chief Executive believes that he was elected on a platform which requires him to do that: He repeatedly stated during his campaign that he expected to drag business out of the gutter. The farm relief bill is one of the weapons forged by a willing Congress to enable him to do precisely that.

To the Administration this duty is much more than a literal fulfillment of a campaign promise. It is the opportunity to vindicate a faith in a positive theory of social and economic progress—which means simply this: About the time of the American Revolution a group of thinkers in England and on the Continent made articulate protests against the excessively active participation of government in business. The English government, for example, laid down the rules for the manufacture of needles and for the importation of white pine logs from Maine; it determined the kind of shroud which should be manufactured for the dead, and forced each corpse to be buried with the stipulated shroud.

Said this group of thinkers, among whom Adam Smith was a leader: "This is too much government. The state is inefficient. Its interference and detailed regulation constitute a millstone around the neck of business. It is better to permit each man to serve himself in whatever manner his intelligence may determine." The motto of the state, said these thinkers, should be "Laissez Faire." Let matters take their own course.

The great majority of conservative business men and thinkers in the United States still adhere to this theory of government conduct. They feel that business, no matter how seriously injured it may be, will always recover if only the Government will let it alone. This opposition to the state has always been raised against regulation and taxation.

Does Franklin Delano Roosevelt subscribe to the doctrines of laissez faire? Does he believe that business should be allowed to solve its own problems (except where the Government can step in and grant favors)? Long before he was elected he served notice on the country in unmistakable terms that he believed in positive action by the government and, should the people see fit to place him in charge of the ship of state, he

WHAT does inflation promise? Here, in simple terms, Mr. Lawrence explains how the powers conferred upon the President in the farm relief-inflation measure can be used to help business turn the corner.

would make it go places and do things. Consider his remarks at Atlanta, Georgia, as early as May 22, 1932. "The country needs, and unless I mistake its temper, the country demands, bold, persistent experimentation. It is common sense to take a method and try it; if it fails, admit it frankly and try another. But, above all, try something. The millions who are in want will not stand by silently forever while things to satisfy their needs are within easy reach."

Since the President feels so strongly that it is his duty to relieve business, what is his plan of campaign, his grand strategy of assault upon hard times? It may be said that the very first step taken—namely, the banking holiday and then the reorganization of our banks—was not a part of the original specifications of recovery, although bank reform was considered desirable. The President was in the position of an engineer who is called in at the eleventh hour to save a bridge from being swept away by a torrent. His first act is to apply temporary reinforcements to arrest the imminent collapse of the structure. Thereafter he may strengthen it sufficiently to permit the resumption of traffic. The farm relief-inflation bill may be likened to a twin set of new cables.

It acts on both sides of the business-price picture. First, it proposes to reduce the supply of commodities, secondly, to increase the supply of dollars. The inflation section of the bill deals with the increase in the supply of dollars; the farm relief section deals with the decrease in the supply of goods.

CONSIDER THE REDUCTION in the supply of goods—in this case, farm commodities. Hitherto farm relief has consisted of additional credit as provided by the Farm Loan Act of 1916, the Federal Intermediate Credit Act of 1923, and the Farm Marketing Act of 1929, or drainage of low lands, reclamation and irrigation. To the farmer suffering from too much land and too many crops the government gave more land and encouraged him to borrow money that he might have more crops. Thus, whenever Uncle Sam's darling child complained of a bellyache the indulgent old gentleman gave him another piece of indigestible candy.

With the exception of the Simpson-Norris amendment, guaranteeing cost of production and a fair profit to every one of our six million farmers, (which was opposed at the White House and eliminated from the measure on its final passage, May 10), the theory of this farm relief bill is in distinct contrast to that of every remedial measure ever tried on the farmer. Except in so far as the bill was mangled by the Senate,

it proposes, first of all, to raise the prices on the domestically consumed portions of eight basic agricultural commodities on condition that the farmer limit his production to a certain portion of his previous output, to be determined by the Secretary of Agriculture. In the second place, the Government will lease marginal lands from the farmer in order to keep them out of production. A marginal acre of land is land whose normal output barely pays the cost of producing it. Sub-marginal lands are lands the value of whose products falls below the cost of production. In the third place, the Government will give cotton growers the right to buy cotton now held by it at less than cost if they will consent to cut acreage by 30 per cent. The Government is virtually saying to these men: "Let 30 per cent. of your acreage lie idle. We will sell you as much cotton as you could raise on those acres for less than it would cost you to raise it." The farm relief part of the bill has serious faults, but the point here is that the Government is trying to reduce the supply of those commodities of which we have too much.

Since price is the result of goods offered for money, Uncle Sam proposes to deal likewise with the money side of the equation. He hopes to make wheat, rice, sugar, tobacco, and other farm commodities scarcer and dearer and dollars more plentiful and cheaper. These are the two handles of the pliers with which he intends to crack the depression. The inflation portion of this legislation, known as the Thomas Amendment, gives the President the power to accomplish this second objective. Here is the way it proposes to work.

First, the quantity of money and credit is to be increased. During the past three years bank deposits have declined approximately fifteen billion dollars. Currency has increased about a billion and half, but since more than that is still in hiding, or serving communities without banking facilities, there is actually less effective money in circulation than there was three years ago. Bank credit will be increased by a loan of three billion dollars from the Federal Reserve Banks to the Government. This the Government will use in redeeming a part of its outstanding debt. It means that an individual or a bank with a thousand-dollar treasury certificate is likely to be paid with a thousand-dollar check on a Federal Reserve Bank when the certificate matures. Now this claim against a Federal Reserve Bank may, under certain exceptionally favorable circumstances and in a rather complicated manner, serve as the basis for fifteen times that much common bank credit of the variety that the average business man uses. Hence, such a 3-billion-dollar loan might make possible a credit expansion of 45 billion dollars.

An additional measure of the same character is the increase of 3 billion dollars in paper money, which the inflation bill authorizes. Again the Government can use this to retire an equal amount of its own indebtedness, thus cutting down its interest charges and flooding the banks with paper currency. It is a rule of monetary history that you can not force excessive or poor money into circulation without forcing an equal amount of better money out of circulation. In this case the greenback money, model 1933, is likely to force out of circulation an equal amount of Federal Reserve notes which legally have a reserve of 40 per cent. in gold. With this money out of circulation the gold is released, and Uncle Sam can use it as the base for an additional expansion of bank credit. The immediate object of

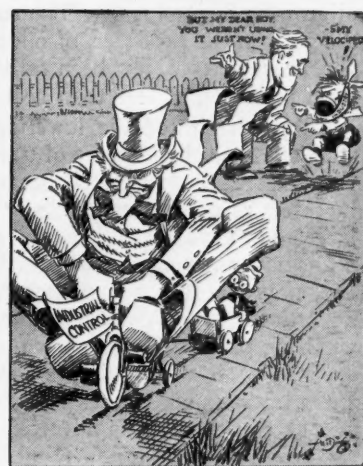
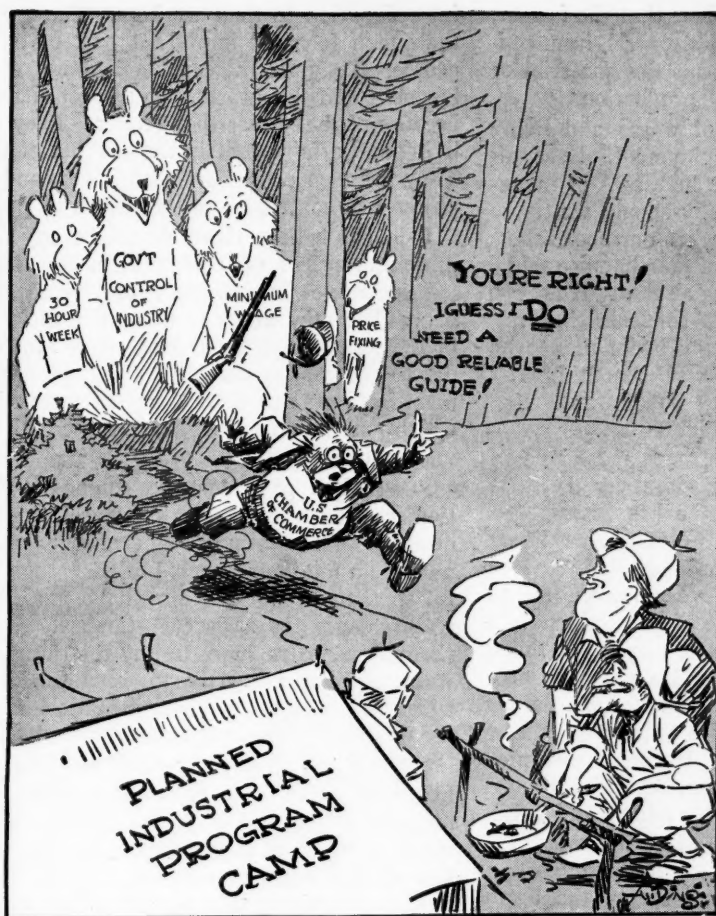
both items is to enable the Government to reduce its debt charges and at the same time increase the supply of money and credit.

The President is next authorized to reduce the gold content of the dollar by 50 per cent. The real dollar of the land is not the bill which you carry in your folder, but a tiny mass of gold weighing 25.8 grains, nine-tenths fine. The bill that you hold is merely a warehouse receipt which normally entitles you to withdraw the 25.8 grains of gold from the Treasury or bank vaults where it reposes. Inasmuch as we can not now redeem these certificates, anything which the President may do in reducing the gold content of the dollar—provided we are still denied the gold—will make not the slightest difference in the value of the dollar except as we delude ourselves into thinking that it is worth less. The refusal to redeem our dollar certificates and the destruction of the connection with gold have at once made the dollar seem cheaper to foreigners, and it has also had the same effect on the security and commodity markets throughout the country. This, before the President took any action and before the bill was passed.

FINALLY, the President may provide for the free coinage of silver in any ratio to gold which he sees fit. This simply means that he may in his discretion declare that henceforth a dollar (instead of being equal to 25.8 grains of gold) may be equal to 412.5 grains of silver, or any other amounts of the two metals and ratios that he sees fit to determine. If the above equivalent were declared—namely, 25.8 grains of gold or 412.5 grains of silver—every one with silver would rush to the Government mints to have it coined into dollars, for at present market prices 412.5 grains of silver, nine-tenths fine, can be bought for 27 cents. It would tend markedly to cheapen the dollar and that, of course, is the object of the inflation.

In another manner not mentioned in the bill but definitely contemplated by the Administration, it is hoped that the threat of inflation will reduce the value of the dollar. If a man has a parcel of real estate which he thinks may be worth more tomorrow than today he will hold it for sale until tomorrow. On the other hand, if he believes that it will decline he will try his best to pass it on today. The same psychology operates on money. If a hoarder or a man with a large bank account feels that his dollars will be worth less tomorrow than they are today, and that the goods which he can buy today may be worth more in dollars tomorrow, he will obviously try to convert his money (declining assets) into goods (appreciating assets). This will tend to pry open tight purses, accelerate the circulation of money, promote speculation, show profits on heavy inventories instead of losses; in short, to reverse the entire price process and promote positive rather than negative speculation.

Thus through a reduction in the supply of goods and an increase in the supply of money, accompanied by a reduction in its metallic content, it is proposed to restore profit possibilities in business. Once business sees increased earnings it will be willing to stock up with a normal supply of goods, increase the number of workers, pay them better wages, and, in short, blow taps o'er the body of Old Man Depression. We can see men lifting amber-colored weights off mahogany bars and saying "It was a tough depression". At least that is the theory of the new deal.



Cartoons by Darling, from the New York Herald Tribune ©

JUST SO HE DOESN'T GO TOO FAR WITH IT

(At left)
COMING INTO CAMP

The NEW DEAL in Selling—Merchandising—Advertising

By WILLIAM H. RANKIN

FROM WASHINGTON comes a most significant suggestion, which will affect business most favorably, if it is immediately put to work. President Roosevelt's invitation to business to organize itself through proper leadership is of far-reaching importance to every business man in the country.

It presents a great opportunity for business associations and institutes to serve their memberships through coöperation with the Administration along definite lines laid down for improving conditions. The time has arrived when every business association has been placed in a position to take steps that will help immeasurably to bring better times.

The element of uncertainty in business should, on the reassuring activities of President Roosevelt, be quickly supplanted by that old-time spirit of get-together, which built up the associations in various lines of industry. Pulling together against selfish interests will benefit the entire country. The sooner action, and quick action, is taken, the sooner will business return to

normal. Then the unemployment problem will take care of itself.

There are hundreds of associations of business men which have concerned themselves too long with cutting prices and meeting cut-throat competition. If the President's suggestion is followed and special meetings of various associations held to act on his recommendations, in a short time business will not be seeking the help of this peerless leader.

Until now, most manufacturers have felt that the ultimate consumer was the man or woman to please, in quality of merchandise. During the past two years, quality has been sacrificed for low prices in a large number of instances. Price competition, to increase sales, made this necessary. The result has been lower wages and hammering down of prices of raw materials such as cotton, wheat, corn, oats, oil and gasoline, rubber, steel, livestock and hides, and all the products that are processed, packaged, and sold to the public. Nearly every one of these raw materials has been sold to the

processor or manufacturer at prices far below the cost of growing or producing. The result is that the farmer, the grower, the producer, of oil, rubber, steel, iron, copper, brass or coal, has been selling his raw material or farm products, at less than cost of production.

This necessitated the lowering of wages and living standards and the increase of unemployment. Even advertising has been affected because hundreds of manufacturers refused to advertise. "Why should we try to increase or even hold up our sales, when our books show a loss now on every dollar's worth of merchandise sold," they argued. It was good reasoning at that. However, advertisers who have been able to continue their advertising program are securing customers of those who stopped their advertising. They will benefit greatly when business may again be done at a fair profit. Persistent and continuous advertising pays best.

SINCE PRESIDENT ROOSEVELT took over the management of this country, he has inaugurated "The New Deal". My conception of "The New Deal" is that ruinous price competition must be eliminated. I believe, with that end in view, every known means should be used to increase the price of all products to a point where the grower, or producer, can pay a living wage to those who work for him. The sale price of a product should cover the cost of production, and allow a fair profit. This would enable the producer to buy and pay for the necessities of life. He might also purchase an automobile or a refrigerator, have a new bathroom installed or make repairs on his houses and buildings, thus passing prosperity around.

Results along these lines have been nothing short of marvelous since March 4. The passage of the Farm Bill will increase the upturn. The President's \$6,000,000,000 building program, his plan to have manufacturers put 3,000,000 men back to work during the next sixty days, and the settlement of the War Debts and tariffs are all on the way to maturity. The next step will be to balance the budget. Already new taxes, including that on beer, and cuts in governmental expenditures, are working toward that desirable goal. When these things have been settled, watch the smoke come out of the factory chimney!

I think the greatest step toward balancing the budget is the plan of the President to have the Government go into partnership with business, big and little. I also favor the suspension, for a while at least, of the Sherman Anti-Trust Laws. This will aid in the regulation of prices to the consumer. It will make possible a fair profit to the producer, the manufacturer, the distributor, and most important of all, the million small dealers throughout the country. These last have been conducting their business at a loss during the past two years and even in 1928 and 1929—because of unfair competition in prices throughout the United States.

As I stated previously many manufacturers, in lining up their plans for merchandising and distribution, had only the 120,000,000 consumers in mind. They made and advocated such low prices to those consumers that there was little or no profit for the wholesaler and retailer. This caused the lowering of wages and unemployment, even in the great wholesale houses and retailers' establishments.

The present Administration will favor a plan whereby these thousands of wholesalers and retailers receive a

new deal, make a fair profit themselves, and give gainful occupation to their workers. These employers and their men form an important part of our 120,000,000 people. They are the consumers' point of contact with business, and should have the respect of their customers because of the service they render. They deserve a fair living and a fair profit in the conduct of their business. They are also consumers themselves, and their buying power will contribute to the return of prosperity.

I do not believe there should be any attempt to fix minimum prices on commodities for the reason that the incentive for efficiency and research will disappear. We may find our industries after twenty years in the same plight as the railroads are today. In order to accomplish the plans to adopt minimum wages, manufacturers may have to accept some other provisions which may be objectionable. In the long run such provisions can be eliminated.

Sweat-shop pay must be stopped. Price competition, especially in women's apparel, has forced wages down to almost nothing. In such lines and others there must be a minimum wage, but that wage must be gainful so that all workers may have more than the bare requirements for a decent standard of living. They should have extra funds to buy the things their families want, and have a right to, in a scheme of business which is fair to the producer, the worker, the salesman, the distributor, the retailer, and the ultimate consumer.

What if we do pay a cent more for a loaf of bread, five cents more for a gallon of gasoline, a few dollars more for a tire, or \$50 more for an automobile? Prices on some of these commodities are lower than pre-war figures, and below present value to the consumer. The quality and service now given are from 10 to 50 per cent. greater than in 1913 and 1914. In the long run higher prices will bring a reduction in state, city, and county taxes, and less temptation for the federal Government to tax certain lines of so-called luxury products. Meanwhile fair profits, increased prices, more jobs, will make everyone better off. And most of us have learned the lesson that it is better to have an income and to pay the federal and state income taxes, than to have no income at all.

THIS is my conception of "The New Deal". I believe that every man, woman, and child can safely trust President Roosevelt to administer it fairly and squarely to all concerned. The dawn of a new day appears on the horizon. In this year and those to come, the United States can look forward to a safe, sane, and lasting stability, as well as an equalization of the income of her great population. The result will be better business and a gradual but sure elimination of unemployment. Even inflation, handled with discretion, will be used to bring about these desirable ends.

E. C. Simmons of the Simmons Hardware Company, St. Louis, had in his day a slogan that could be adopted to fit the present era. It read: "The Recollection of Quality Remains Long After the Price is Forgotten". Products should not be manufactured down to meet cut-price competition. Quality products, at a fair price to all, should be the order of business.

President Roosevelt deserves the unqualified support and coöperation of business so that everyone will benefit through the action created by "The New Deal".

The New Partnership



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PRESIDENT ROOSEVELT has gained the confidence of the American people. His frank talks over the radio, clearly explaining his policies, arouse a sympathetic understanding. Significant paragraphs that follow, from his talk on May 7, help to visualize the purpose that lies behind his recent course of action.

• • MUCH HAS BEEN SAID of late about Federal finances and inflation, the gold standard, etc. Let me make the facts very simple and my policy very clear. In the first place, government credit and government currency are really one and the same thing.

Behind government bonds there is only a promise to pay. Behind government currency we have, in addition to the promise to pay, a reserve of gold and a small reserve of silver. In this connection it is worth while remembering that in the past the government has agreed to redeem nearly thirty billions of its debts and its currency in gold, and private corporations in this country have agreed to redeem another sixty or seventy billions of securities and mortgages in gold. The government and private corporations were making these agreements when they knew full well that all of the gold in the United States amounted to only between three and four billions and that all of the gold in all the world amounted to only about eleven billions.

If the holders of these promises to pay started in to demand gold the first comers would get gold for a few days and they would amount to about one twenty-fifth of the holders of the securities and the currency. The other twenty-four people out of twenty-five, who did not happen to be at the top of the line, would be told politely that there was no more gold left.

We have decided to treat all twenty-five in the same way in the interest of justice and the exercise of the constitutional powers of this government. We have placed every one on the same basis in order that the general good may be preserved.

Nevertheless, gold, and to a partial extent silver, are perfectly good bases for currency and that is why I decided not to let any of the gold now in the country go out of it.

• • THE ADMINISTRATION has the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed.

We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed.

In other words we seek to correct a wrong and not to create another wrong in the opposite direction. That is why powers are being given to the Administration to provide, if necessary, for an enlargement of credit, in order to correct the existing wrong. These powers will be used when, as, and if it may be necessary to accomplish the purpose.

Hand in hand with the domestic situation which, of course, is our first concern, is the world situation, and I want to emphasize to you that the domestic situation is inevitably and deeply tied in with the conditions in all of the other nations

of the world. In other words, we can get, in all probability, a fair measure of prosperity return in the United States, but it will not be permanent unless we get a return to prosperity all over the world.

In the conferences which we have held and are holding with the leaders of other nations, we are seeking four great objectives. First, a general reduction of armaments and through this the removal of the fear of invasion and armed attack, and, at the same time, a reduction in armament costs, in order to help in the balancing of government budgets and the reduction of taxation. Secondly, a cutting down of the trade barriers, in order to restart the flow of exchange of crops and goods between nations. Third, the setting up of a stabilization of currencies, in order that trade can make contracts ahead. Fourth, the reestablishment of friendly relations and greater confidence between all nations.

• • IT IS WHOLLY WRONG to call the measures that we have taken government control of farming, control of industry and control of transportation. It is rather a partnership between government and farming and industry and transportation, not partnership in profits, for the profits would still go to the citizens, but rather a partnership in planning and partnership to see that the plans are carried out.

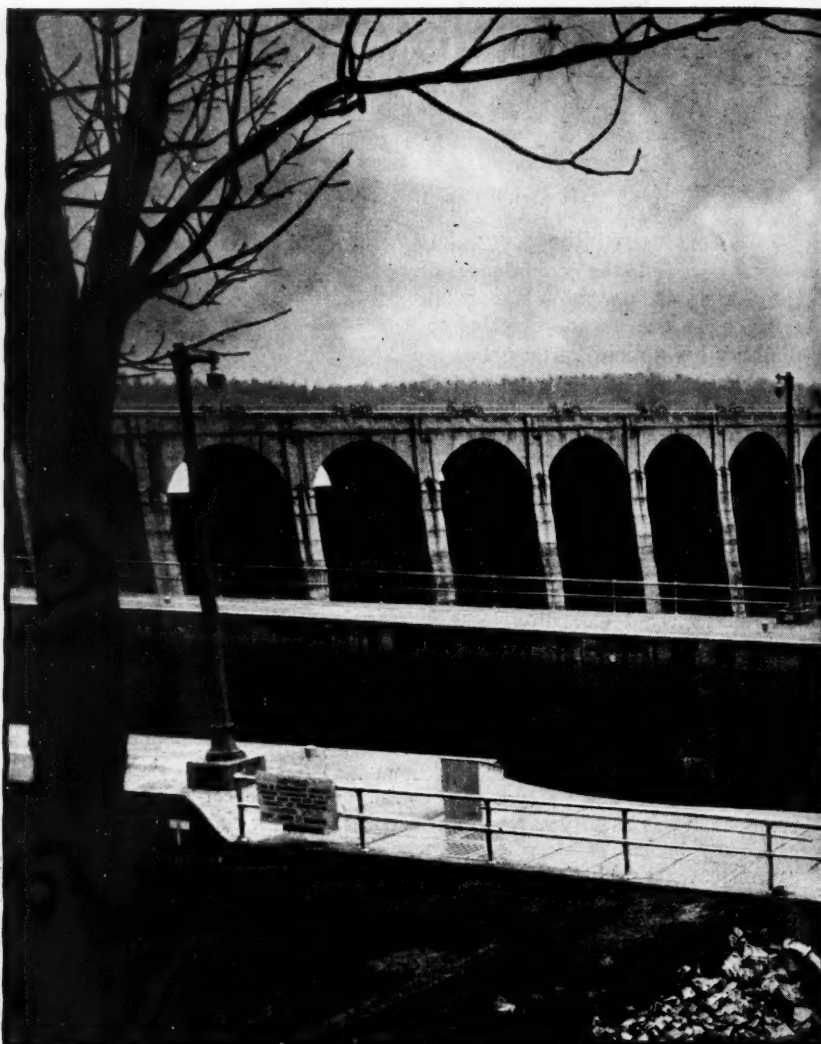
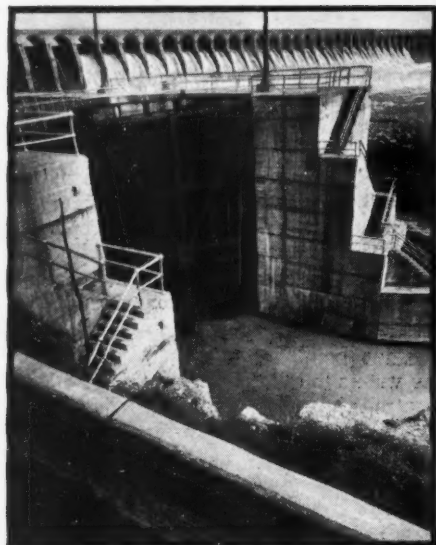
Let me illustrate with an example. Take the cotton goods industry. It is probably true that 90 per cent. of the cotton manufacturers would agree to eliminate starvation wages, would agree to stop long hours of employment, would agree to stop child labor, would agree to prevent an overproduction that would result in unsalable surpluses.

But, what good is such an agreement if the other 10 per cent. of cotton manufacturers pay starvation wages, require long hours, employ children in their mills and turn out burdensome surpluses?

The unfair 10 per cent. could produce goods so cheaply that the fair 90 per cent. would be compelled to meet the unfair conditions. Here is where government comes in. Government ought to have the right and will have the right, after surveying and planning for an industry to prevent, with the assistance of the overwhelming majority of that industry, unfair practice and to enforce this agreement by the authority of government.

We are working toward a definite goal, which is to prevent the return of conditions which came very close to destroying what we call modern civilization. The actual accomplishment of our purpose cannot be attained in a day. Our policies are wholly within purposes for which our American constitutional government was established 150 years ago.

MUSCLE SHOALS—The Heart



LOOKING down a row of generators (above at left), in the Muscle Shoals Generating Plant. Below is shown a lock in the ship canal, little used today.

DAWN for

THERE IS considerably more than the development of electrical energy to the Tennessee Valley enterprise which Congress has just authorized the President to undertake. There is every reason to believe that Franklin D. Roosevelt sees in the green clad mountains and smiling valleys of eastern Tennessee the setting for a great social as well as economic experiment, possibly the most far-reaching ever planned by the federal Government. The goal of the economic and social upbuilding is to make of the Tennessee Valley an optimum living section, a real Exhibit A of that new America which F. D. R. envisions as an important part of "The New Deal".

What factors, one may ask, have so suddenly brought the Tennessee Valley to the attention of the nation? The chief one is that it happens to possess the basic

economic qualities upon which a balanced industrial development can be built.

A half century ago economists insisted that before a nation or a region could become industrially important, it must possess certain basic physical characteristics: iron ore, coal, limestone, and possibilities of cheap transportation. But when one plumbs the industrial economics of today, he finds there is a further fundamental need—that of cheap and abundant power.

By this is meant, not power in the sense of managerial control or financial guidance, but the physical force of harnessed energy. Furthermore, power is coming more and more to mean hydro-electric energy, white coal, the fruitful sweat of the laboring stream.

By its possession of extraordinary water-power potentialities, in addition to the other indispensables of

of the Proposed Industrialization of the South



Photographs by Rittase

WILSON DAM, looking across the ship canal (in the foreground). In the distance is the Generating Plant.

the Tennessee Valley

By GEORGE FORT MILTON

Editor, Chattanooga News

an industrial order, the Tennessee basin has caught the imagination of the nation's engineers and statesmen. It is, indeed, in potentialities, the American Ruhr.

First, let me make brief mention of the controlling physical facts. From a power standpoint the Tennessee is one of America's most important streams. Rising high in the Appalachians, the river rushes swiftly, sometimes turbulently, to the Ohio. In a relatively short distance it has a drop of 290 feet, and in its 700 miles of length, one of 660 feet. This downward rush or "head", as the engineers describe it, of a great water volume, gives the river an immense potential power, and enables it to supply millions of horse-power to the entire southeastern zone.

The basin of this river has an elongated area of 40,000 square miles. It is located at no great distance

from the center of population and consequently the industry of the whole United States. This area may roughly be considered as the hub of the wheel having about twenty-two spokes—railroads—radiating to every point of the compass. On them, in a twenty-four hour journey, one can go from the Tennessee basin to Boston, Chicago, Kansas City, New Orleans, Jacksonville, or Norfolk.

Climate, another important factor in industrial development, has particularly favored Tennessee. Extremes of temperature are infrequent, and in the southern part of the basin ice and snow are practically unknown. Neither the navigation of the river nor power development therefrom will likely ever be hampered by ice.

Along the river lie many millions of tons of coal and

iron ore and the limestone for fluxing it. They lie so close to the river that they can be transported by water from the mines to the furnaces, either blast or electric, located on river or railroad. And from these furnaces the finished product can be shipped either by river or rail. In addition to these, there are about forty other important industrial minerals in the basin among which copper, zinc, and lead may be mentioned.

This is the area which Congress has determined shall be nationally developed. It is easy to see the economic justification, for the indispensables for the creation of almost a self-contained industrial economy are all present. In the age of power which has succeeded the age of steam, the Tennessee Valley offers an extraordinary opportunity for the intelligent, long-range planning of an integrated industrial world.

THE POWER potentialities of the Tennessee are no new discovery. When America was at war in 1917 and President Wilson sought the ideal location for a great dam to develop power for extracting atmospheric nitrogen for the nation's war requirements, a careful survey was made. Muscle Shoals was selected and work was begun upon Wilson Dam. After the Armistice, Congress refused appropriations for finishing the structure, and for two years the unfinished dam stretched across the Tennessee, a great gaunt concrete finger, half choking the stream. Henry Ford's offer for the dam prodded Congress into appropriating for its completion. Muscle Shoals soon became a political football, a pawn in the battle between contending utility, fertilizer, and public power groups. Now, however, the President and Congress have cut the Gordian knot. They have made possible the constructive use of the Valley's natural resources.

But there is much more to the project than the operation of Wilson Dam. Surveys of government engineers of the river as a whole afford an extraordinary picture of power navigation and flood control possibilities, as well as of the industrial and mining resources of the watershed. The amount of primary power which can be produced by an integrated development of the Tennessee and its tributaries is now placed close to 3,000,000 horse-power, a quantity twice the primary horse-power which ten years ago was developed for the whole region of the Mississippi and the district south of the Ohio.

Plans are being made for the utilization of the Government's existing investment at Muscle Shoals, and for linking up this present power with other power to be developed by the exploitation of the river as a whole.

The second great unit is to be built at Cove Creek, on the Clinch River, a little to the northwest of Knoxville. This dam, which is to be 225 feet high, is primarily for flowage control, with incidental power. It will create above it a reservoir with an area of 83 square miles, with a capacity to impound 86 billion cubic feet of water. The regulation of this flow will contribute greatly to canalizing the river, and thus will lessen flood hazards. Additionally, it should about double the primary or continuous year-round power production of dams below it on the river. Three power dams may be erected between Chattanooga and Cove Creek, and others are indicated between Chattanooga and Muscle Shoals.

A new government corporation, the Tennessee Valley

Authority, is to have charge of the project. Under the act of Congress, the President will appoint, as its three directors, men competent in the different fields of power and regional development. To these men will be entrusted existing Muscle Shoals property, as well as the construction of the various dams, the construction or purchase of a transmission line system connecting these dams, manufacture and sale of power, and the experimental production of fertilizer at the Muscle Shoals nitrate plants.

Among other things, the bill seeks to encourage municipal distribution of power, both to farmers and to the city folk. The Valley Authority is charged to give as a first call on its resources contracts to cities, towns, and farm groups which desire to distribute power for themselves.

In the mind of Senator George W. Norris, that veteran battler for public power, the Tennessee Valley experiment should develop a national yardstick by which to measure the cost of power. Undoubtedly the next few years will note a quite interesting comparison between public and private power prices in the Valley.

Not only has the President in mind the development of immense quantities of power in the Valley. His plans also look to the reforestation or afforestation of denuded areas, so that the watershed's potentialities can be restored, as well as the withdrawal from cultivation of marginal and sub-marginal lands, and the re-orientation of the farming of the Valley.

The social implications of this economic experiment are far-reaching. On its face it bears the impress of a determination for a planned and controlled society for the Tennessee Valley. The benefits of the development, furthermore, would be dispersed from Bristol to Florence, rather than concentrated in the present cities of Chattanooga and Knoxville. For wild boom conditions and unregulated haphazard growth there would be substituted long-range regional planning, so that an optimum society can be evolved.

ALL THIS calls for an extraordinary change in the present point of view of the residents of the Valley. To bring this about, the educational set-up must be reorganized, local government must be given a thorough overhauling, slum populations must be re-located, real social planning must be put to work. Otherwise the social development will fall far behind the economic development, and great psychic tensions are bound to result.

So far as the Valley mind is concerned, it is only necessary to say that the region's present population comes down directly from the rugged pioneers who accompanied John Sevier to King's Mountain and Andrew Jackson to New Orleans. As might be expected, the basic mind of the Valley is still the frontier mind. There is real need for the re-focusing of regional attitude, for a birth of the coöperative viewpoint, for the upbuilding of the social system.

Indications are that the President is well aware of the totality of the problem. Those who have discussed it with him in recent months have been impressed with the fact that he sees it in a globular rather than a hemispheric way. In the Valley there is the greatest trust and hope that President Roosevelt will bring this rich section, not to a fevered boom, but to a real optimum society.



WHAT WILL INFLATION

DO TO BUSINESS?



PROPHECIES SHOULD be left to the soothsayers. But the prediction that the price trend is being reversed, that prices are definitely tending upward, is no longer a prophecy. Informed business men accept it as a definite fact. It is natural, therefore, that executives should be asking themselves: "How Shall I Merchandise in a Rising Market?"

Anyone who assumes that distributors are going to build up inventories to the point that existed some years ago is due for a sad disillusionment.

The fact of the matter is that the original impetus in the direction of smaller stocks was not derived from a price situation. It developed as a result of a growing appreciation of the profit possibilities inherent in a more rapid turnover, as a result of faster transportation, as a result of new warehousing and branch stock plans developed by manufacturers, and also as a result of the post-war crash. Evidence that lower prices were not a prime influence is found in the fact that during the years 1927, 1928, and 1929, when prices mounted steadily, hand-to-mouth buying practices grew in popularity. Eventually, of course, restricted sales by the department stores during depression led them to reduce their inventories still further.

Small-inventory practices have been carried to well-nigh ridiculous extremes by just about everybody. Most manufacturers are under-inventoried. The same is true of practically all distributors. And the home most certainly is under-inventoried. In other words, a perfectly sound policy has been run into the ground. Many retailers have allowed inventories to run down to such an extent that potential sales are actually being driven away.

Much the same may be said of manufacturers. As a matter of fact, it has been stated, with much justification, that with only a few exceptions there has been no surplus of merchandise in this country the last few years; that anything even approaching normal buying would very quickly prove that in many lines there is today an actual merchandise shortage. It would not require any tremendous demand to change the present buyer's market into a seller's market in many lines.

There is little doubt that a rising price market is a most powerful inducement to buy. Even the recent expectation that prices may go ahead has already stimulated purchasing on a larger scale.

Another point: when a country emerges from a depression of the severity characteristic of conditions in this country during the last four years, regardless of whether the improvement is due to natural causes or to the artificial influence of inflation, the public pocket-book does not stage a quick comeback.

YOUR BUSINESS—how will it be affected if or when inflation comes? It is a new experience with most business men in the United States. Here are some suggestions carefully thought out (and some warnings) about buying, selling, and advertising in a rising market.



By **LAWRENCE VALENSTEIN**

President, The Grey Advertising Service, Inc.

Inflation has its irony for the salary and wage-earning groups. Inflation forces up prices. Thus, the cost of living rises. But wages and salaries do not rise nearly so fast. The 34,000,000 people employed in this country today at more or less fixed incomes will be the last to feel whatever benefits may come from inflation. Many a "forgotten man's" first impression of inflation is apt to be that he is more "forgotten" than ever.

Obviously, what all this means is that although people will continue to want quality merchandise even as they always have—they may lean toward off-quality merchandise because of false ideas of economy. On the other hand, as elaborated upon later on, there are hidden reservoirs of wealth in every country that furnish unexpected buying power.

Nevertheless, there is every likelihood that an advancing price market, instead of putting a damper on the expert at skimping, will encourage him to double and redouble his efforts. Many retailers are going to be anxious to be able to say that "Our prices on this or that product have not gone up". Many manufacturers are going to be anxious to sing the same refrain. And the story, beyond doubt, will have a strong appeal to the buying public. That is the most stimulating set of circumstances an off-quality producer could ask for. It makes the inflationary future just as attractive to him as the depression past.

It is not a pleasant outlook for the manufacturer of quality merchandise. He has been besieged and beset for four years by competitive merchandise made to sell at a price. He has probably welcomed inflation or at least rising prices, among other reasons, because it seemed on the surface as though the new era would smooth out his marketing road. But until the public

pocketbook is fatter, and until the income of the masses catches up with rising price levels, more and better skimping will probably be the order of the day.

It is said that even in so-called normal times only 20 per cent. of the companies in business make a normal profit. In 1927, exactly 45 per cent. of the companies filing income tax returns declared deficits. Those returns covered the year 1926, a year generally looked upon as approximating the mythical "normal". One does not have to have a long memory to recall the cry of "profitless prosperity" that was raised in 1928 and 1929, two boom years. That complaint was justified because even in those two "new era" years the number of companies reporting losses or insignificant returns on net worth was amazingly high.

Sound pricing, a frequently bungled procedure that causes losses, is a function of management that is just as important in periods of advancing prices as in a declining market. When prices move ahead, it is up to management to determine such questions as: How rapidly should increased costs be passed on to the trade? How much of the increased burden should the manufacturer shoulder? How far must we go in meeting competitive prices? What shall we do, particularly, about meeting the rivalry of the marginal producers—those parasites who are such an upsetting influence in every field at all times? How much of the increased costs can increased volume be expected to absorb?

Advertised Brands: A Special Problem

THESE QUESTIONS are important to producers of advertised merchandise because, in most lines, advertised brands do not fluctuate in price so rapidly as do unadvertised brands. This was brought out strikingly in the first year and a half of the depression. A study made then by a prominent department store showed that while 800 unadvertised items had shown a price decline of more than 20 per cent., advertised items of a comparable nature had not come down at all, or to a much smaller extent. A study made by the Great Atlantic & Pacific Tea Company confirmed this.

There is no doubt that advertised brands lagged behind when prices dropped. It is proper to expect that they will lag in any upward movement of prices.

Unless a buying panic develops, something that is not generally anticipated, it is fair to proceed on the assumption that manufacturers will not be able, in general, to pass along price increases as rapidly as production costs go up. There will most likely be a lag, particularly true of products that are nationally advertised. Increased volume will help to make up a part of this deficiency by reducing unit costs. But in many cases it will not remedy the discrepancy entirely. Still more efficient management in every phase of business will be necessary to avoid another period of "profitless prosperity".

Pricing is also likely to be profoundly influenced by contemplated legislation at Washington. There is, particularly, the so-called "National Industry Recovery Act". This piece of legislation—admitted by the Administration to be exceedingly daring—is patterned, to a degree, after the War Industries Board. That Board, which functioned during the war, had to deal with a demand that was greater than the supply. The current plan faces the problem of tremendous supply and in-

sufficient demand. With that basic difference there is great similarity between the two.

Briefly, under the new plan the anti-trust laws would be quite completely set aside, the Federal Trade Commission would drop its rôle of prosecutor and become a business regulating body, there would be price fixing under federal supervision, and industries, through their trade associations, would be permitted to do an amazing amount of self-government. In fact, the plan practically makes possible "cartels" composed of whole industries. Naturally, such a plan would change the whole pricing picture.

Another possibility is a probable tendency to appropriate money for advertising. Regardless of what advertising theorists may have to say, the fact remains that when volume dwindles, advertising dwindles also. When volume rises, advertising increases. Consequently, if prices and volume move up, it is proper to assume that advertising will increase.

As business improves and the outlook becomes more cheerful, people become more interested in quality. Inasmuch as the story of advertising is, basically, a story of quality, advertising will have a more receptive audience. Of course, a point that will enter here is whether the public will have the money with which to buy quality merchandise.

There will be reams of "buy now—avoid pending price advances" advertising. Some of this will be sensible, like the dignified piece of copy run by Black, Starr & Frost-Gorham, announcing that a 45 per cent. advance in the price of silver presaged a rise in the price of silverware. Some of it will be more "scary" like the advertising of the Real Estate Board of New York which advises property owners to "exercise the greatest caution" in making new leases and renewals at "present depression prices". And much of it will be blatant, panicky copy advising people to "spend now to save!"—"Dollars in the bank won't be worth as much as the dollars you put into merchandise", etc. Sound advertisers who look ahead will avoid hysterical copy.

It would seem highly probable that department stores will be among the first to build up larger inventories, either in the form of merchandise laid down in their warehouses or in the form of orders for future delivery placed on a price guarantee basis. If we have any really serious inflation, the department stores, because they are shrewd operators, will be among the first to go short on the dollar by putting their money into merchandise. But department stores are not panicky buyers and they will place their orders in the future, as they have in the past, at the best prices and on the most liberal terms available.

There is positive evidence that some form of price control may be necessary in the very recent experience of the rayon industry. In the last half year, the rayon yarn industry has had the experience of being jammed with orders and then having business fall quickly away. In August and September, 1932, the rayon mills had an influx of orders that led to capacity operation. This lasted until January of this year. Then business fell off and during the early part of April, this year, business was in the doldrums. With the prospects of inflation, however, business jumped after the middle of April and in three days the five weeks' supply of rayon that was on hand was almost entirely exhausted.

As a consequence, the rayon industry has undertaken a new pricing policy. For the duration of the inflation

period, the industry will make quotations at the beginning of each month. This system, it is anticipated, will protect the producers against extreme fluctuations in demand and will also give the trade the surety of stable prices for 30-day periods.

Based on a study of what has happened in previous inflationary periods and also in periods of rapidly fluctuating prices occasioned by other causes, it would seem that the advantages of the price guarantee, in the majority of instances, are apt to outweigh the disadvantages if prices in the period ahead either advance quickly or fluctuate rapidly.

Germany's Experience Is Helpful

THE OUTSTANDING example of inflation in modern times is Germany. The outstanding example of going off the gold standard, in modern times, is England. Although the conditions that led to inflation in Germany, and to the abandonment of gold in England, do not exist in this country today, some of the principal events in those nations may have a parallel here. Let us consider Germany first.

A big point has been made, in all discussions at home about inflation, concerning the ability of the masses to buy should prices go up. What are the advantages of rising prices, many ask, if people cannot afford to buy at higher prices?

That point was also made in Germany in the early days of inflation. And, as a matter of fact, the buying power of the German wage and salary earner steadily lagged behind the rise in prices. For example, in January, 1922, the average income of the German worker was seven times that of the pre-war level. At the same time, prices had risen approximately thirty times pre-war levels. Bread sold at thirty times pre-war prices—eggs at fifty-five times—milk at twenty-eight times.

Yet Germany found, first, that the hidden wealth of the country surpassed all expectations. This is a point all too frequently overlooked by economists and business executives in general. In every nation there are untold reservoirs of wealth that are not charted in business graphs. These come to the surface when commodities become more valuable than money.

That is precisely what happened in Germany. Although that country, presumably, had been bled white by the war and by post-war developments, the early days of inflation promptly brought an increase in business activity based on enlarged buying by the public. In other words, wages lagged behind, the country was apparently impoverished, yet rising prices were greeted with a rising volume of buying not only by the trade but by the masses.

The more rapidly prices increased, the more rapid did the momentum of consumer buying become. Business boomed, unemployment decreased, and sales became altogether easy. There was even a large amount of senseless buying. The public was not only willing to buy, it was determined to spend as rapidly as possible.

While it is not generally anticipated that inflation in this country will ever run wild as it did in Germany, this ability of the German people to buy, although prices outran income, is significant in that it may furnish an answer to those who want to know how our own people, with their depleted purses, are going to buy. Eventually, matters did reach a stage in Germany where living

standards started to decline—but that was in the later and more violent stages of the depression.

From the German manufacturer's point of view, it was soon accepted as inevitable that prices would be higher in the future. Consequently, there ensued a veritable orgy of buying by manufacturers. Expressed in terms of the stock market, they went "short" of the mark. They put their money into raw materials, into new factories, new machinery, etc. This trend started almost simultaneously with the real start of inflation and it was accelerated in direct ratio to the fall in the value of money.

This is not to be taken to mean that German producers became panicky. But they were quick to see that inflation was going to result in a boom—that the consumer was going to be able and anxious to buy—and they jumped at their opportunities. Incidentally, Germany's export trade also increased rapidly and played an important rôle.

In any event, it was not long before unemployment had been reduced to a minimum in Germany—factories worked night and day—the masses had money to spend, and they spent it rapidly.

In their advertising, the German manufacturers did not use scare copy to any considerable extent. As a matter of fact, although price was featured more and more, the appeal was not so much a case of "buy now to avoid higher prices" as it was that the advertised price was the *grundpreis*, the rock-bottom price. Advertisers even went to the trouble to point out that, actually, their prices had not advanced at all—that it was simply a case of prices being expressed in new terms. It is interesting to note that when prices began to skyrocket, the plan was followed, in advertising, of quoting a base price, representing the pre-inflation level, and then instructing prospects to multiply that figure by the value of the mark at the day of purchase.

Other manufacturers, however, foresaw pitfalls in price advertising. Moreover, they felt that the public was anxious to buy and that their principal job was, not to induce purchasing, but to encourage the buying of the particular kind of merchandise they sold.

The boom in German industry was very promptly reflected in the volume of advertising. Manufacturers advertised on a larger scale than ever before—or since.

What Happened to the Price Guarantee

FROM THE MERCHANDISING angle, one of the first reactions of inflation in Germany was to throw a spotlight on the price guarantee. Retailers and jobbers wanted protection on advance orders. The manufacturers insisted that they could not afford to do so—that they could not obtain similar guarantees on their raw materials and labor costs. Eventually the dispute on this point became decidedly bitter, with the manufacturers finally giving in.

However, as the pace of the inflation quickened, manufacturers found it increasingly difficult to maintain their guarantees. Many were reporting losses on operations, although their factories were going full tilt, because they were unable to pass price advances along to the trade rapidly enough.

As a consequence, various trade associations developed modified price guarantee plans. Thus, in the textile field, the manufacturers changed their price guarantees

in two ways: They shortened the period of the guarantee, and they allowed themselves 10 per cent. leeway in prices. In other words, if they felt justified in doing so, they charged 10 per cent. more than the contract price agreed on in the price guarantee arrangement.

The retailers did not submit willingly. They threatened boycotts, proposed alternative agreements, and even went to court. But the manufacturers had their way. They insisted that they could not grant long-term delivery at guaranteed prices unless they were in position to charge at least a part of any price advance that might occur during the interim.

There, then, is a quick picture of what happened in the commercial phase of Germany's inflation. The big point, from the standpoint of the American manufacturer, is that the theory that an apparently impoverished people could not buy on a rising market was effectively exploded. The German masses bought—and bought in quantities never before approached.

When England Left the Gold Standard

NOW LET US TURN to England. The gold standard was suspended on September 20, 1931. England went off the gold standard due to an actual shortage of the precious metal. When the United States deserted the gold standard, it had a gold reserve that was just little short of an all-time peak.

The immediate result in England was a rise in the price of the principal raw materials. Explained differently, England's decision to go off the gold standard resulted in a modified inflation, although money itself was not otherwise tampered with in any way.

The jump in raw material prices, which was partly reflected in finished products, was not long maintained. One reason for this may be that not long after the decision to abandon gold, England's financial position began to improve. The country's gold hoard increased. In any event, the price increase trend soon lost force and then prices began to drop.

However, an immensely important point is that while the price level in England today is almost the same as it was in September, 1931, American prices have declined radically. Consequently, although there may not have been an actual inflation, there was a remarkable steadiness in the English price level which otherwise might have dropped at least as rapidly as did ours.

It is also interesting to observe that since September, 1931, industrial common stocks in England have advanced 26 per cent., while in the United States they had declined 45 per cent. before our recent rise.

In England, wages lagged behind the first increase in prices. At the same time, there was not the same urge to put money into merchandise that developed in Germany, because there was no real sign of inflation. As a result, although business improved slightly, unemployment continued at high levels and living standards declined slightly.

This necessitated an increased attention, on the part of manufacturers and retailers, to giving better values. Manufacturers and retailers were forced to overhaul production and selling methods to achieve greater economies. Advertising stressed price more than ever. Copy, as a whole, was made more solid, more substantial. Advertisers looked more and more for concrete results. Retailers cut out many service frills.

Manufacturers went in more strongly for market research. They kept closer track of variations of buying power in different parts of the nation. Advertising was scheduled for the more prosperous sections.

Producers found it difficult, and in many cases impossible, to pass along increased raw material costs. Slightly increased volume, however, helped to prevent unit costs from getting out of hand.

Advance buying did not increase to any considerable extent, first because hand-to-mouth buying in England has never reached the extremes achieved here, and second because the price increase was not sharp enough or maintained long enough to make retailers and jobbers anxious to stock up beyond their regular requirements.

While the experiences of Germany and England are of general interest, they are by no means guideposts to what may happen here. Inflation's reactions depend on such factors as the financial and commercial conditions preceding inflation, the type of inflation that is employed, how it is put into effect, etc. These conditions in different countries are hardly likely to be similar.

In other words, if we do have a real inflation, it will be a kind different from what was experienced in England and Germany. Its reactions will, therefore, be different also.

But Our Inflation Will Be Different!

WE ARE TO HAVE controlled inflation. Therefore developments in this country will likely follow a course somewhat in between Germany's early inflation days and England's experiences of the last year and one-half. No sane person expects that prunes will sell, in our money, on the basis of 8,000,000 marks each, as they did in Germany. On the other hand, the proponents of inflation are hopeful that, by doing more than merely going off the gold standard, we will be able to give prices and business volume a more decided push than turned out to be the case in England.

Careful study of the possibilities of the present situation seem to justify certain conclusions:

A price rise inspired by monetary inflation is an artificial movement. It is not subject to the ordinary law of supply and demand.

A rising or fluctuating price market, if it receives its prime impetus from monetary inflation, is bound to produce a feeling of uncertainty that will result in a general cry for a price guarantee of some kind—future delivery by manufacturers at guaranteed prices.

There will be a natural tendency to order in larger quantities when prices move up. It may be necessary to develop policies that will put a damper on runaway buying tendencies. Speculative buying is as bad for business as hand-to-mouth buying.

The off-quality manufacturer will remain a factor, and possibly become even more of a factor, should prices go up—especially if prices go up faster than income. His competition can be overcome by skilful advertising and sound merchandising work with retailers.

Smart advertisers are going to hammer away at the American public, but they are going to base their advertising on the knowledge that the American purse is depleted. People are not going to buy the way manufacturers would like to see them, even in an advancing price market, unless advertising convinces them that they are getting quality at the lowest possible price.



WHO SHALL PAY for Government Utilities?

IT IS ONLY JUST that those who benefit directly from government services pay the full cost.

By FREDERICK H. McDONALD

WITHOUT A DOUBT the most persistent echo from our wailing-wall of depression is the cry for tax reduction. Directly or indirectly, it matters to us all. Yet we need the real functions of government, both today and also to meet genuine needs which the future may bring forth.

Vast as is the proportionate cost of this now apparently devouring creature, Government, we must realize that it has been largely of our own devising. We have acquiesced, even if we have not contributed directly to its rearing.

We have been the builders. Yet, in our panic, we must not tear down as recklessly as we have permitted growth. Government offers much that we need. Visualize the tearing up of our streets and highways. Picture a community—congested, concentrated, throbbing with business and social life—with no central water supply, no sanitation, no police or court protection, no fire protection. Recall the little red schoolhouse on the hill, multiply it by thousands and thousands of individual small efforts to educate our masses of oncoming generations, and make some estimate of what we would do without our public school system.

These are the kinds of things that are fundamental to community life and of direct benefit to all. They are the true functions of government. And if we are to preserve our standards of growth and development, and maintain for ourselves the distant but high horizon to which the eyes of even the pioneers of this country have always been lifted, we must go carefully about this thing of qualifying what we have built, lest we destroy the real progress we have made.

There are two rightfully reducible costs in government. One is the elimination of the unjustifiable activities or charges of government. The other is the diminishing of the volume of unreasonable personnel and expense of even the necessary activities of government. The latter is a matter of efficient operation, and the pressure of a determined electorate inevitably will produce substantial economies in that field.

Those factors affecting the unnecessary functions of government, or the unjustified allocation of costs involved in assumed functions of government are more difficult of approach. But still they can be modified, even if it is necessary to resort to judicial adjustment in our courts of equity.

The most obvious of the inequitable charges on the general taxpayer are those costs of governmental agencies that have entered into the business of revenue-producing utilities where the charges made to consumers are insufficient to meet the costs of operation.

Whether these be postal services, waterworks, power and light, waterways, or other forms of governmental ownership and operation, it is a rare case where the basis of revenue charges is sufficient to meet proper costs. Almost universally the general taxpayer is forced to contribute toward making up the deficits, which in effect become actual subsidies or gifts to the users.

Where governmental agencies are engaged in the operation of revenue-producing services, the minimum selling basis of the service should be sufficient to pay all costs, including operating costs, interest, refunding or depreciation charges, and taxes. Only such a conception could be sustained in any court as an equitable theory of governmental ownership.

Obviously it is inequitable for the community to use its general revenue for making up deficits incurred because of an insufficiency of charges from the operation of individual service facilities, where such revenues are a subsidized benefit to the limited portion of the community actually using the services. Such a general tax levy, for the benefit of the relatively few users, is in effect an actual donation by the community. The larger the user, the greater the subsidy to the user at the expense of the general taxpayer.

Revenue-producing services provided by governmental or state subdivisions are not truly governmental functions. The benefit is not general in nature; it is not usable as a benefit by all taxpayers. It is specific and confined solely to the users, who in all equity should pay at least the full cost of service.

SUCH SERVICES are not even devised for the general good, but are for the specific good of the users only. This is attested by the fact that the users are presumed to be charged directly for this service, and these charges are in proportion to the quantity of service used by the individual consumers. This means that the activity is, in effect, a private benefit facility instead of a general benefit institution.

Even if the service or property may be available for use by all citizens, it is not a general benefit. It is an individual benefit enterprise. The users can be and ordinarily are separated from the non-users; and the users are the sole beneficiaries of the limited nature of such services. Where a service is such that its benefit is confined to users who are individuals, easily segregated from non-users, we do not have a real governmental function of which the costs can be made fairly, a charge against the general community.

Even in the extreme case where every citizen is a user, the benefit still would not be general but would

be specific, for some are greater users than others. To the extent that the full cost is not met by charges directly to users, the deficit would be made up by tax costs on the general community. Thus the larger the user, the greater the individual subsidy at the expense both of the average user and of the general taxpayer.

A fair amount of taxes should be paid by such a facility on the basis that otherwise the lack of tax charges against the users creates an extra burden on the general community, which should be met by the individual user of the service as a proportional charge for a direct and solely individual benefit. Exemption from tax payments not only deprives the general treasury of these tax benefits, and increases the tax on the community, but further subsidizes the private user to the extent that such tax elimination lowers the direct cost to him at the expense of the community.

It would seem that community or general tax charges are sustainable only for such governmental functions as are necessary and applicable to all the community.

POLICE AND COURT protection, street cleaning, sanitary inspection, garbage disposal—all these are of such a nature and qualify as typical governmental functions. Fire protection, with its apparatus, water mains and hydrants, and personnel, is of a general benefit nature. While the benefits of these services sometimes can be allocated, in general they can not—as regards inspections, benefit to adjacent property owners in preventing spreading of fire, disease, or disturbances, and in the benefit to all property owners in reducing fire and health insurance rates and hazards.

Water supply is not of a general benefit nature. It is a specific and limited benefit, and should be charged to the user at the full cost of producing the service. The value of a water system as a standby for fire-fighting might justify a general tax of some minor proportion, charged to fire prevention.

The provision of electric current for power and lighting is absolutely specific in its benefits, is limited to the users only, and carries no general benefit nature whatever. It is in nowise a real governmental function.

Sanitary sewers are specific and not general benefits, and usually are chargeable to the property holders directly benefitted, who pay for the improvement.

Streets, sidewalks, storm sewers and sewage disposal works partake of the nature of both specific and general benefits, and usually are so handled as a divided charge on the community and on adjacent property.

Common practice, as in sewer and paving assessments, already has recognized the equity of some allocation of charges in proportion to benefit. But the bureaucratic tendency of government has extended itself unchallenged to other lines which are specific, and are limited in their benefits to individual users. It is in this field that governmental operation either can be curtailed to the benefit of the general taxpayer, or can be made the basis of a fair allocation of all cost charges directly to the user of such specific services.

The equity of limiting to actual cost the minimum charges for governmentally provided, revenue-producing services, as the lowest level of charges, is apparent when we undertake to estimate any basis for charges that are below the cost of production. Once we break through the cost level, where do we stop? There is no more reason for delivering a service at 10 per cent. below cost than there would be for delivering it at 40 or 60

or 90 per cent. below cost. In fact, there would be just as much logic in delivering the service free to all users, as there would be in delivering it at even 1 per cent. below cost. No level below cost has any logical basis.

Actually, there is more logic in delivering this service free to all consumers and charging the total cost to the general taxpayer than there is in charging anything below the actual cost and making up the deficit from general taxes, as this would be more nearly a true and typical form of governmental function. Yet the absurdity of this is apparent. The absurdity of taxing the general taxpayer at all, to meet the cost of unreasonably low utility service charges, should be equally apparent. The user of governmentally provided services—where rates, fees or charges are imposed on the user in proportion to use—must at least pay a charge that will meet the actual total of all operating, capital, and tax costs, if the user is not to be subsidized unfairly at the cost of the general taxpayer.

Any discussion of governmentally operated business naturally brings up the question of its effect on private enterprise, and of the efficiency and effectiveness of the one as compared to the other.

Our proposal involves no consideration of either merit or justification of governmental versus private enterprise activity. We have here not a measure of whether the government should enter into any respective activity, how it should be operated, or how its operation may affect private enterprise. We are discussing the position of the general taxpayer in relation to those activities of government for which he already is being taxed or may be taxed, and the unfairness of burdening this already overburdened group with inequitable taxes to be transferred directly into the pockets of a limited group of consumers. We are advancing the proposal that the general taxpayer may be relieved of this unfair burden by a direct appeal to any court of equity.

As a matter of fact, once this principle be established as a basis of governmental operation, several obvious results will follow. The soap-box appeal to the demagogic advocates of governmental operation will be exposed as ineffective if it should develop that when all proper charges are included in governmental operation, the cost of the service is little better, if as low, as competitive private operation, and that the pocketbook of the general taxpayer has been subsidizing these services for the benefit of others. The other important result will be that the great argument of private industry, as to the inefficiency and ineffectiveness of governmental operation, will receive its full and ample test. Except for possibly lower interest rates for governmental capital, both government and private industry will be on the same basis of having to meet capital, operating, and tax costs directly from revenue. If private enterprise is more efficient, and more effective, government under these conditions can not compete with it. It would have no reason to compete, and the public would not support it as a competitor.

In any case, the most efficient service will survive, and the general taxpayer no longer will have the addition to an already insufferable burden of direct subtractions from his own pocket for the immediate benefit of limited portions of the population, now in many cases receiving services below the cost of production as a gift from the general taxpayer. An equitable basis of governmental ownership will have been established—and general taxes will be lowered.

Are the Churches Downhearted?

By LYMAN P. POWELL

THE NEED for personal religion is forcing the churches to discard many criticized practices and build for themselves a new place in our social structure.

BISHOP MANNING sees the whole world in dismay, and Bruce Barton expects no emergence out of its distress in our lifetime. Harry Emerson Fosdick is not certain that our present civilization deserves to survive, and Stanley High notes a general trend away from organized religion. *The Christian Century* pictures defeatism as the mood of the churches, and the Laymen's Appraisal Commission, recently returned from the Far East, gives the impression that all the world religions are falling under the blight of materialism.

Are we downhearted? No.

Arrested by Dr. Fosdick's vision of a general ecclesiastical wreckage not far ahead, convinced that many churches with their feeble functioning, their too costly overhead, their inept organizations, their sparse attendance on Sunday and their social inefficiency on weekdays, are not worth all they cost, yet one may venture to believe that there is opening an enlarging usefulness for churches which perceive that new occasions require new methods.

But all who are intelligently interested in the future of the churches will re-think the problem through.

Church statistics—no matter how they are exploited—rarely prove what is too often claimed for them. Unmindful of Ellen Glasgow's counsel that "the quality of belief is more important than the quantity", church statistics continue to play up quantity, and denominational discussion looks more and more like shadow-boxing. Church wealth did increase from \$1,258,000,000. in 1906 to \$7,000,000,000. in 1926, while our public schools even now are estimated to be worth no more than \$4,677,000,000. Except perhaps in the case of Christian Science, church attendance, however, rarely matches church membership. In Protestant churches the estimated Sunday attendance of church members ranges from 20 per cent. to 60 per cent., though attendance in our public schools, stimulated by the truant officer, comes close to student enrolment. Evidently there can be no 100 per cent. church efficiency if from 40 to 80 per cent. of church members do not expose themselves, at least once a week, to the inspiration of worship and of preaching.

The piling up of overhead costs, due to the suicidal competition of sects in a country where today there are 212 denominations (even though perhaps no more than one-fourth of them actually count), must be seen as it is. Since churches are exempt from taxation, they are in honor bound to justify the consideration which they thus receive.

To build several Protestant churches in a community

where one, properly organized and well managed, would meet all needs, may be a violation of public trust, sometimes perhaps an affront to public decency. If we, the people, must bear the extra burden of taxation due to the exemption of the churches from taxation, churches owe to us, as taxpayers, the conservation of resources, the avoidance of duplication, the wise administration of income, and the economical uses of machinery.

Where one church can do the work, four churches should not in sheer denominational zeal carelessly be flung down to compete with each other in enrolling members, in campaigning for financial support, in holding up the community by indirect appeals for help, and also in compelling many who are interested only in one church to pay heavier personal taxes because of the exemption of four churches from taxation.

The competitive spirit, saturated as it usually is with worldliness, not infrequently defeats the larger purposes of religion. This is illustrated in the story of the perfervid denominationalist in the small town in which four churches were struggling to exist where one church might perhaps have prospered, who, when asked by a visitor how his church was getting on, replied: "Not very well; but, thank God, the other churches are not doing any better."

THE WASTE of spiritual values sinks deeper than the evils which competition brings. The two institutional churches developed years ago in New York City by Dr. Rainsford and Dr. Judson met a want then as keenly felt as it was seldom recognized. Recreational activities definitely organized in those Victorian days were not so much as recognized in schools, and the Y. M. C. A. was barely beginning to feel its way toward social usefulness. There had as yet emerged no institutional plan to keep city boys off the streets, and "Mary's" place to meet "John" in the first approaches to courtship was not allocated by any church.

Such organizations as were associated with the church were regarded as the gateway to public worship and to personal religious life; and the large attendance on the services at St. George's and other early institutional churches confirmed the age-long impression that it takes a congregation as well as a preacher to make a sermon.

The earlier institutional churches were spiritually minded. Their societies were auxiliary to church attendance; their purpose was the upbuilding of personal religion. But times have changed. Save in such instances as the Woman's Auxiliary and the Girls' Friendly Society, organizations often deny or neglect their spiritual responsibility to the church which freely furnishes them a meeting place. Oyster suppers, chicken dinners, "weenie" roasts and "entertainments" with paid orchestras that receive most of the profits, have not brought many to worship, or to listen to the preacher.

Says "Sam" Shoemaker: "Awhile ago I read a book in which I found the entire organization-schedule of one local church. It read like a railroad time-table. My

head swam. I wondered what St. Paul would think of the whole thing. If you counted the number of people who went into the doors each week, it would reach into thousands. But I kept wondering what went into the people. Did any of the ministers and workers have time or energy left over for human beings, when they were through greasing and tending their towering machinery? It was all built to help somebody. Every one of those organizations probably arose to meet a need. Some still help meet a need. But all of them? I have my doubts whether the machinery itself, the innumerable social-service and recreational activities, will by themselves change or deeply help any large number of people. And the pity is that the little churches are just as much like these committeeized juggernauts as they can afford to be."

But religion is not dying. Never was religion showing a disposition to select more intelligently, from the brook which many churches have long been passing by, the five smooth pebbles with which to smite to earth the Goliath of the materialism that is sure to overcome the world, unless—without relinquishing or even qualifying its own distinctive message—Christianity everywhere coöperates with the world religions at their best.

Are we downhearted? No.

NEVER were more promising efforts appearing to develop such efficiency as the church has rarely known before. The redemption from secularization can not seem far away to those who have the eyes to see. The time can not be very remote when denominational wars will give way to a united war of personal religion against sin itself.

Calvary Church in New York has recently compelled many Christian churches of our land to put first in their planning that personal religious life suggested and encompassed by the words of Jesus: "Seek ye first the kingdom of God and His righteousness, and all things else shall be added unto you."

By a spiritual technique of daily devotion and daily Bible study, Christian Science has created a church attendance far exceeding church enrolment, lifted church support above even the hardest times, and made entrance into church membership far more difficult than into many an exclusive club. All churches may, in consequence, be more desired of men as time goes by; and attendance at the last may in consequence match membership.

Better methods of bringing people to church are working steadily to high success at the historic Ascension Church in New York City, where societies merely for discussion (or to interest people on week-days and give them a good time) are being replaced by bands of workers who go out from the church to render spiritual service far and near.

At St. Margaret's in the Bronx, where the natural clientele from which to draw is small indeed, Rector and Deaconess have for years been working at the three-fold task of spiritualizing the organizations, of establishing in home and church the close personal relationship with individuals which is as yet in such a situation perhaps the only way to get spiritual results, and also converting a whole Parish into daily Bible readers.

Possibly that is the reason why Dr. Charles S. Macfarland in his extraordinary book on "Christian Unity in Practice and Prophecy" selects St. Margaret's as the

Church which "has gone a long way in revealing the possibility of making a Protestant Episcopal Church a house of prayer for all people." But there is still a long way to go.

At last, too, the countless unchurched—learned and unlearned—who never come to services or even have speaking acquaintance with the minister, are receiving serious consideration. Humiliating as the experience is, the church at last is forced to realize that some way must be found to relieve the minister of time now given to tinkering and oiling church machinery, to keeping it going, and to "begging" for the payment of his salary that he may live as his position requires. He must have some time to make contact with those who lack interest in church, who refuse to attend worship, who deny that they want what the church offers, and yet at heart who need the best the church can ever give.

Morris Markey is now home from his 16,000 miles visiting around America convinced that Americans care little for their churches, and that "Christianity is hardly to be considered as a force in American life."

If, as the Church is ever claiming, it is the Extension of the Incarnation of the Christ, who said He came "that they might have life, and that they might have it more abundantly", the Church today must through its ministers go out as Jesus went into the streets and byways where the unchurched are. Without pretense or officiousness, but with tact and understanding, it must serve those who will not come to church, or welcome representatives of the church into their homes and hearts.

The report of the Laymen's Appraisal Commission after its study of foreign missions, need occasion no concern. As its chairman, Dr. W. E. Hocking of Harvard, says, "There is no note of retreat in this report, no accent of despair". The report lays down as its first principle that "missions should go on". But the fact is not dodged that many church people at home have lost faith in missionary effort, and are giving less to its support than once they gave. Their faith must be restored if their support is to return.

A new understanding of the missionary field would seem to be appearing. The suspicion long ago found lodgment in the church's consecrated common-sense that missionary organizations here and there may require some alteration, and some re-adaptation. The emphasis must be somewhat shifted from preaching in the pulpit to sharing in every-day relationships the best one has with others.

Back from their study of the foreign missionary situation the Commission offers such an analysis of the situation as was foreordained to arrest attention, to be seriously considered, and, after much discussion and not a little criticism, both to be an inspiration at home and to have a definitely constructive influence abroad.

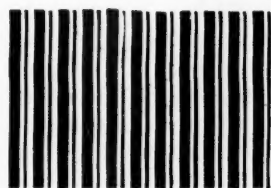
Meanwhile the Commission will be patient. Having done a good work, they will bide their time; and yet, as Mrs. Harper Sibley intimates, they expect a better understanding of the missionary problem, and a larger coöperation in the more inclusive terms of a highest common divisor instead of a least common multiple.

Are we downhearted? No.

We are simply looking for those five smooth pebbles, wherever they may be, of vital personal religion with which to smite full in the forehead the cosmic Goliath of a materialism now so menacing that the Laymen's Appraisal Commission reports that "all the utterances of religious intuition are threatened with discard".



Prepare for Planned Industry!



By
ROGER W. BABSON



GONE ARE the sacred white cows of yesterday's economic régime. "Rugged individualism" may still persist in the American scene, but if it does it is a state of mind and not the mind of the state any longer. Thundering attacks along a dozen economic fronts have, in the past two months, done more to level cherished traditions and century-held dogmas than anything that could happen short of an actual revolution.

We have tossed the Constitution out the window. It has landed safely in the outstretched hands of President Roosevelt and he has promised to see that not a page of it suffers any real damage. Meanwhile, however, the President and not the Constitution is the final arbiter of power. Congress has, for all practical purposes, abdicated, and we are heading on to uncharted seas with a shipload of experiments. So unprecedented are some of these in nature and kind, the consequences can hardly be foreseen. The period immediately ahead is tremendously important.

Apart from these emergency measures there is proceeding apace a new program of economic control over industrial forces of production and distribution which is not destined to fade out with the passing of the depression. From now on American business enters a distinctly new phase. No longer will persist the *laissez-faire* policy of the period which began after the Civil War and has continued ever since.

The extent to which the Government will arbitrarily thrust itself into the driver's seat in this industrial control program is going to depend a whole lot upon how far industry itself is willing to go voluntarily. I happen to know, from my contacts with the leaders of industry, that they are willing and eager to enter into such intra-industry and inter-industry agreements as can be arranged without necessitating compulsory action on the part of Washington.

The question in brief is not *whether* industry is going to be regulated, but *how* that regulation will be applied. Personally, I believe that the trade associations, which have been languishing during recent years as more or less figure-heads of industrial and trade co-operation, will now come sharply to life. Of course, even before the depression, trade associations were weakening under the menace of prosecution by the Gov-



By Fitzpatrick, in the St. Louis Post-Dispatch

THE NEW REFEREE

Now if the old warriors can be taught a little etiquette.

ernment and persecution by the cut-throat minorities.

Now, instead of giving trade associations the third degree, the Government is going to give them a partnership. This means that in the next few months trade associations will be revamped and perhaps revolutionized. In this connection the anti-trust laws will be either dumped, defied, or dodged. They can no longer be enforced if the Government is to carry out successfully its plans for industry control.

Of course whatever agreements industry may enter through the clearing-house channels of the various trade associations will have to receive the stamp of Washington approval. Prevention of price-cutting, along with regulation of wages and hours of labor, is the cardinal feature which the Government must require in these various industrial and trade agreements. And along with these things must also come the regulation of production for the purpose of preventing overproduction and demoralization of markets.

Organized labor enters the picture quite significantly as it is President Roosevelt's earnest wish to have the workers share more and more in the fruits of industry in the period ahead. Here, in addition to the President's known tendency toward liberalism, may be seen the hand of Secretary of (Continued on page 58)

Spain Conquers Herself

By ALFRED J. HANNA

TEN YEARS AGO Spain's foremost philosopher, Ortega y Gasset, provoked by a dictator's decree that no education other than religious and patriotic would be permitted in that country, declared: "The Spaniards today need to conquer their own country." Not since the Moslems were finally driven from power in 1492 have the Iberians seriously devoted themselves to a representative government of their own peninsula.

In that year, 1492, the banners of Castile and of Aragon, which had so recently united the Galicians, the Asturians and the Basques in the north with the Catalans to the east and the Andalucians in the south, were planted in the New World. In 600 years, from the tenth to the sixteenth centuries, Spain had risen from the greatest state in Europe and the center of culture to the vastest empire the world has ever known.

But when, two years ago, Spain settled down to conquer herself, she encountered obstacles of the utmost gravity. The first great victory of regenerated Spain occurred when Alphonso XIII, the dashing royal sportsman, slipped out of Madrid into exile. This was on April 14, 1931. Just a decade before, Alphonso, with his usual bravado, had sent a nonchalant telegram over the heads of the general staff and the Moroccan High Commissioner. It consisted of four fatal words: "Hurrah for the advance!" It ordered the Spanish troops to make an impossible attack against the wild mountain tribesmen of Morocco. The Spanish loss was incredibly large and savage. Thousands of homes throughout Spain were filled with tragedy. Alphonso's telegram had sealed his own doom as well. Spain awoke from her long lethargy.

One year later, in an effort to reduce growing critical sentiment, Alphonso dissolved Congress and suppressed freedom of thought, speech, and pen. Eight years of dictatorship under General Primo de Rivera followed this high-handed action. During this period Spain was schooled for the bloodless revolt which the rising desire for a return to the ancient privilege of self-government brought about in 1931.

Back in the twelfth century, the men of Spain said to the first Alphonso: "We, who are as good as you, swear to you, who are no better than ourselves, to accept you as our sovereign lord provided you observe all the statutes and laws, but not if you fail to do so." The tenth Alphonso introduced despotism. The thirteenth Alphonso paid the penalty.

During the first seven of the past twenty-six months that the Republic has been in power, deputies were elected to a congress, a new constitution was created, a president was selected, and fairly good order was maintained despite the economic hurricane and the heavy fire recently directed against all democratic institutions.

Gladstone, the British statesman, declared that the United States' Constitution was "the greatest work ever struck off at a given time by the brain and heart of man". No less promising is the new constitution of

Spain. Completed in 141 days, it is so surprisingly modern that through it Spain has jumped from medievalism to the first rank of democracies.

In this new constitution the intellectuals and the youth of Spain, who are the leaders of the new movement, have remembered that their great Cervantes said: "War is a school where the covetous grow rich and the free prodigal." War cannot now be declared by Spain unless sanctioned through the machinery of the League of Nations.

The army, long a symbol of tyranny and oppression to the working classes, and an expense out of all proportion to its use since Spain no longer has colonial possessions, has been drastically reduced. Many officers, who previously numbered one to every ten men, have been retired. Among other enlightened provisions of the new Spanish deal are woman suffrage, the elimination of capital punishment, and the prohibition of sale of munitions to any other nation.

PERHAPS the most far-reaching measure of social reform enacted outside of Russia since the World War is the Agrarian Reform Bill which was passed by the Spanish Cortes last September. With approximately the same area as Germany, Spain has had only half as many land owners. Her agrarian situation has been the most archaic in Europe, especially in southern and central Spain, a region of vast estates. This act dispossesses the nobility of its vast land holdings, allows a partial indemnification therefor, and contemplates the use of these lands by farm laborers—who have no lands of their own—and small land owners. In this way the Government hopes to elevate the position of the peasant and increase the production of agriculture—Spain's most important economic pursuit.

The most acute problem which has faced the Spanish Republic has been the demand for autonomy on the part of several of the more independent provinces. Catalonia, the most prosperous, highly industrialized, and perhaps modern part of Spain, has for years violently opposed the centralizing policy of Madrid. By the exercise of rare resourcefulness, the leaders of the Republic have avoided a situation of the utmost danger by granting a large measure of autonomy to Catalonia.

Lastly, but of first significance, is the new spirit of self-confidence, self-respect, and hope that has been born of the Republic. Spain is emerging from that long dismal epoch which was so completely controlled by an absurd idea of chivalry, of religious fanaticism, and of exalted predominance of form over the essence of things. The people, too long tricked by the Hapsburgs and Bourbon dynasties, are convinced that good government is possible. They believe that modern institutions, if honestly administered, will ultimately eliminate greed, graft, disease, and ignorance, and restore Spain to the grandeur that was hers in her "Age of Gold". Thus Spain may make a contribution to better world civilization.

Foreign CARTOONS of the Month

From *De Notenkraak*
(Amsterdam)

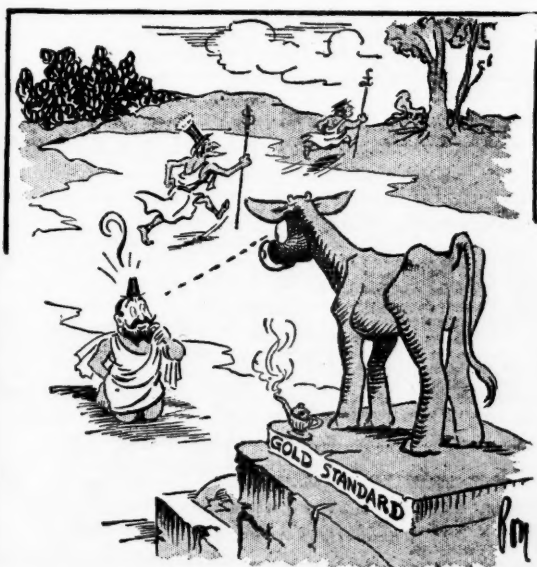


GERMAN NAZI GOVERNMENT:
"Now after this little operation
(drawing the teeth of the Ger-
man press) you will get a nice
collar and be able to do what—
I like."

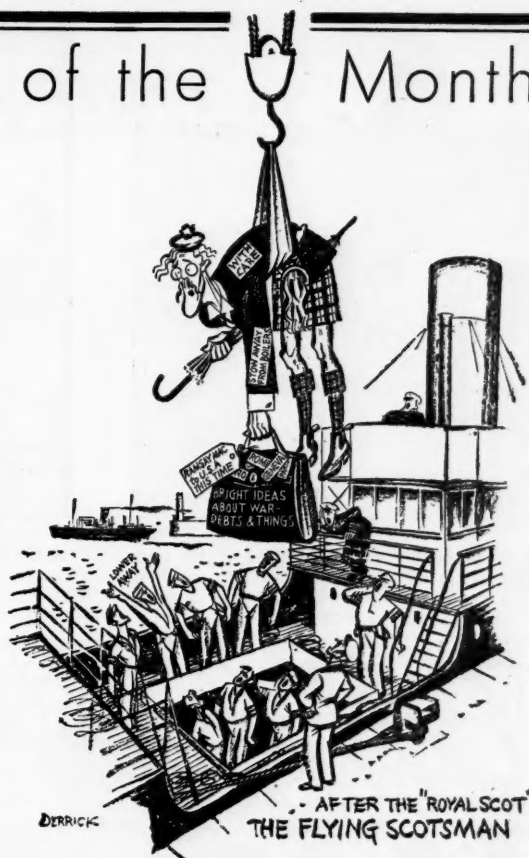


**HITLER SETS HIS WORLD
ON A FIRM FOUNDATION
(A Polish View)**

From *Mucha* (Warsaw)

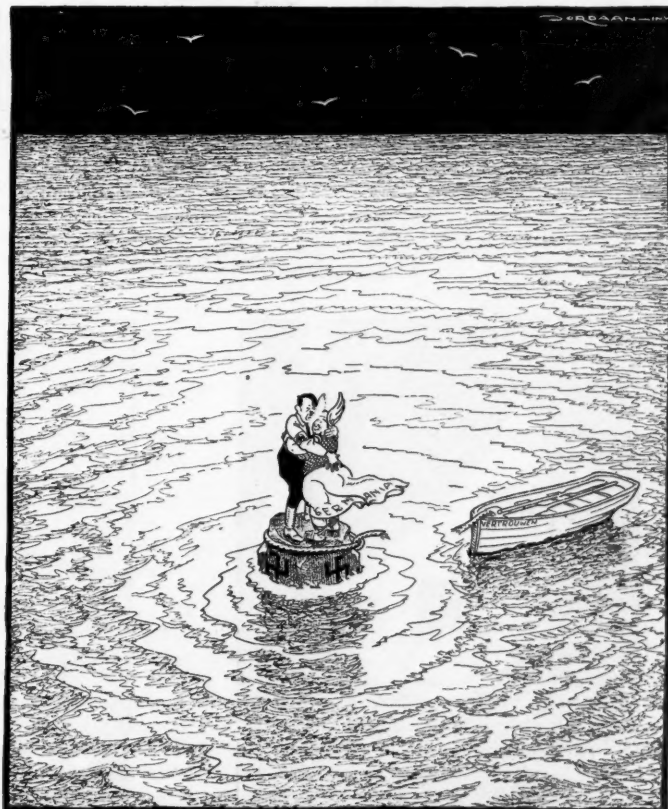


From the *London Evening News*
THE GOLDEN CALF (Observing the indecision of France,
lost of its dwindling congregation): "Now don't say that
you, too, are turning sceptic!"



**AFTER THE "ROYAL SCOT"
THE FLYING SCOTSMAN**

From the *London Express*
A LITTLE FUN is poked at England's Premier, Ramsay Mac-
Donald, on the occasion of his recent visit to Washington.



From *De Groene Amsterdammer*
HITLER: "THANK HEAVENS—ALONE AT LAST."
Germany is isolating herself from the confidence of the world.



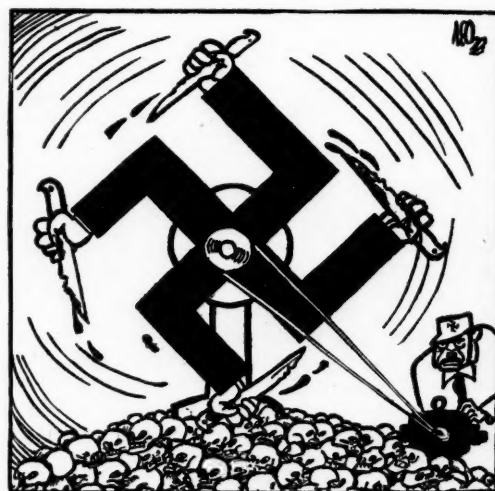
From *Kladderadatsch* (Berlin)
THE GERMAN GOVERNMENT states that the stories of Jewish persecutions are lies. This Berlin cartoon pictures the fate of false propagandists.



From the *Glasgow Evening Times*
A CYNICAL British view of the possibility of anything constructive arising from the meeting of Premier MacDonald and President Roosevelt.



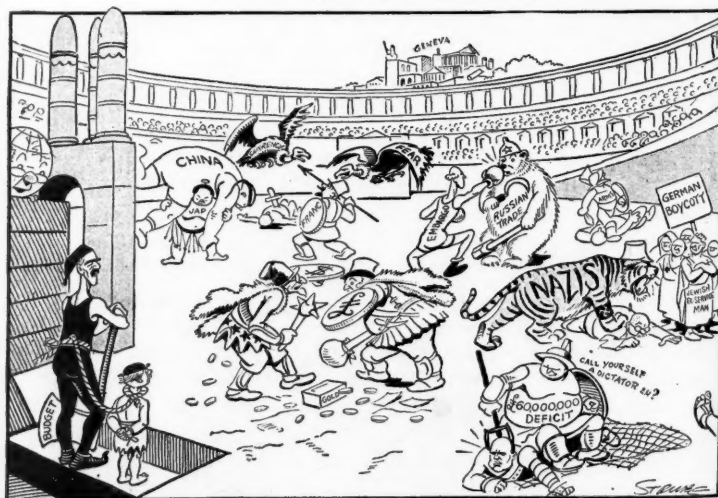
From *De Notenkraker* (Amsterdam)
AMERICAN GANGSTERS (as the Dutch fancy them): "Now that Roosevelt is letting drink in, there's nothing to do. We shall have to join the German Nazis."



From *Pravda* (Leningrad)
THE NEW GERMAN State Machine as viewed by a Russian satirist. He sees a Hitler regime fully as bloody as any that anti-Soviet critics have so often pictured of the Stalin government.



From *De Groene Amsterdammer*
JUSTICE AND FREEDOM under the dictatorship. An allegory of Hitler's promised kingdom.



From the *London Daily Express*
BRITISH TAXPAYER (To Executioner Neville Chamberlain, Chancellor of the British Exchequer): "It hasn't been dull waiting this time. I'd almost forgotten that we're the next turn."

The March of Events

April 12 to May 15

Inflation and Farm Relief

U. S. off the gold standard
... The President, Senate, and
House tackle inflation and
farm relief.

INFLATION raises its head in the Senate (April 17). While that body is debating a farm bill embracing the Administration plan for raising agricultural price levels (passed by the House late in March) and the plan to relieve the farm mortgage burden passed 387 to 12 (April 13) by the House, Montana's Senator Wheeler offers an amendment providing for free coinage of silver at the old Bryan 16 to 1 ratio. The amendment is defeated 43 to 33, but the vote shows an increase of 15 inflationists since January. President Roosevelt immediately calls Senator Thomas of Oklahoma, the leading inflation advocate, to a White House conference.

THE UNITED STATES goes off the gold standard (April 19) as President Roosevelt puts an export embargo on all gold except that already earmarked. The action is believed due to a hope that it will help end the continued domestic deflation; and to a desire to put this country on an equal trade and currency footing with other non-gold countries. Prices of commodities and speculative stocks start a gradual rise. In terms of the dollar, the pound and franc rise until the pound is worth (May 6) \$4.05—its highest value since England left the gold standard; and until the franc reaches (May 5) 4.75 cents, highest since 1928, when the new franc was established on a devaluated gold basis. As the embargo is declared, gold holdings of the Federal Reserve System are \$3,365,595,000—or slightly under the all-time high of September, 1931. Approximately \$700,000,000 in gold or gold certificates is still being hoarded in the United States.

PRESIDENT ROOSEVELT sends the Senate a plan for controlled inflation (April 20), and Senator Thomas introduces it as an amendment to the farm bill. Methods urged by leading inflation schools are included to permit—but not force—the following steps: 1. The Federal Reserve could purchase up to \$3,000,000,000 worth of government securities, or securities in corporations in which the Government is the principal stockholder. 2. The Treasury could issue \$3,000,000,000 in new currency to be used in retiring federal obligations; 4 per cent. of the new currency would be taken from circulation annually. 3. An executive order could reduce the gold content of the dollar as much as 50 per cent. 4. The Treasury could accept \$100,000,000 in silver—valued at not more than fifty cents an ounce—on any foreign government's debt to the United States.

THE SENATE passes (April 28) the farm relief-inflation bill, 64 to 20. Its final form provides farm mortgage relief by issuing \$2,000,000,000 in government bonds, carrying 4 per cent. interest, which the Federal Land Banks are authorized to exchange for farm mortgages on which they would reduce the interest rates to 4½ per cent. Agricultural prices are to be boosted by allowing the Secretary of Agriculture to reduce the production, regulate interstate and foreign commerce, and tax the first processors of basic products. To this section the Senate has added a "cost of production" guarantee empowering the Secretary of Agriculture to fix minimum prices. The inflation provisions are those suggested by the President, with two exceptions: 1. The Wheeler-King amendment would authorize unlimited silver coinage at a fixed ratio to gold set by the President. 2. Not more than \$200,000,000 in silver could be accepted in payment of war debts.

HOUSE acceptance of the Senate inflation amendment to the farm bill is 307 to 86 (May 3). The bill now goes to a conference of the two bodies, where differences in the farm relief provisions must be ironed out.

LAST POINT of conflict between the House and Senate bills is eliminated (May 10) as the Senate votes 48 to 33 to strike out its own "cost of production" guarantee.

PRESIDENT ROOSEVELT signs (May 12) the farm relief-inflation bill, thus completing action on a bill which gives him the greatest economic powers held by any peace-time Executive.

Economic Conference

Washington conversations . . .
Tariff truce . . . The French
debt.

FORMER PREMIER HERRIOT of France sails from New York (April 29) after spending five days in Washington, where he and President Roosevelt considered French and American viewpoints of the world crisis and objectives of the coming World Economic and Monetary Conference. Three days before, Prime Minister MacDonald of England had concluded similar conversations. Washington announcements had indicated that the United States agreed with both France and England on the necessity of lowering trade barriers, reestablishing monetary standards, maintaining equilibrium of international exchange, raising world commodity prices, and providing credit expansion. In the following weeks, representatives of Canada, Argentine, Italy, Mexico, China, and Germany arrive in Washington to dis-

cuss the world economic situation.

EIGHT world powers, largely due to United States insistence, sign an agreement (May 12) pledging themselves to refrain from creating any further trade restrictions before or during the Conference. Members of the Conference organizing committee which sign are the United States, Great Britain, France, Germany, Italy, Japan, Belgium, Norway; and they urge that when the Conference opens in London on June 12, the fifty-eight other participating nations join the tariff truce. President Roosevelt announces (May 13) that in view of the truce, provisions of the farm-inflation bill calling for acreage reductions and imposition of processing taxes will be held in abeyance.

AMBASSADOR DE LABOULAYE carries out instructions from Paris by calling on President Roosevelt (May 12) to inform him that the French cabinet will ask the Chamber of Deputies to make the over-due December debt payment at once, providing that the United States will agree to a war debt moratorium during the Economic Conference.

Government

U. S. and arms . . . Legisla-
tion for homes, railroads, se-
curities, and states . . . Muscle
Shoals.

AN EMBARGO preventing shipment of war materials from the United States when their receipt by any other nation may "provoke or encourage the employment of force in the course of a dispute" is approved (April 17) by the House. Similar to a measure proposed during the Hoover Administration, it provides that the Executive shall first consult with other arms producers. It now goes to the Senate, where the Foreign Relations Committee takes it under consideration.

THE UNITED STATES moves closer into the family of nations as Norman H. Davis tells the Geneva Disarmament Conference (April 26) that the United States endorses the idea of international consultation when wars threaten. He also supports the French thesis that security measures are necessary for disarmament. "We are prepared to make very great efforts to assist in the maintenance of peace when a determination to preserve peace is evidenced. . . ."

SMALL home owners are to be helped under the terms of legislation for which President Roosevelt secures House approval (April 28). In submitting his plan for relief of the home mortgage situation he had said (April 13) that it is "a declaration of national policy" to protect home ownership. The House

bill provides that Federal Land Banks organize a Home Owners Loan Corporation, empowered to issue \$2,000,000,000 in 4 per cent. bonds, to be exchanged for mortgages on homes worth less than \$15,000. Following the exchange, mortgage interest rates would be reduced by the Banks.

PRESIDENT ROOSEVELT's plan for developing the Tennessee Valley is furthered as the Senate passes (May 3) the Norris Muscle Shoals bill and sends it to conference with a similar bill passed (April 25) by the House. Both bills set up a Tennessee River Authority in charge of Muscle Shoals proper, electric development, flood control, and forestation. They differ chiefly in that the Senate bill would have the Government either produce fertilizer on a limited experimental scale or lease its facilities to a commercial corporation, while the House bill would have the government manufacture and sell fertilizer commercially.

A FEDERAL Coördinator of Transportation in charge of the three great regional groups into which the country's railroads would be divided is the keynote of the emergency railroad relief bill which Congress receives (May 4) from the President. Designed as a temporary measure to be in effect until completion of the permanent program on which the Administration has promised to embark next year, the bill would let the railroads help themselves by joint agreements on rates and routes. Provision is made for the retroactive repeal of the recapture provision of the transportation act of 1920, under which the country's railroads now owe the Government approximately \$340,000,000.

No corporation paying an officer, director, or an employee more than \$17,500 a year would be eligible to receive Reconstruction Finance Corporation loans, under the terms of a rider to a bill passed by the Senate (May 4) and sent to the House. This complete change of heart—a year ago the Senate refused to vote a salary restriction of \$100,000—is made in the bill authorizing the Corporation to buy or lend on preferred stock of insurance companies.

BY RADIO, the President reviews (May 7) the first two months of his administration and outlines his hopes for the future. "Inflation" will be used "when, as and if" necessary to raise "commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed." Of new emergency measures he is planning, he says they look toward "a partnership between government and farming, industry, and transportation."

ACTING in accordance with the President's late-March request for legislation to protect security buyers by requiring wide publication of security information, the Senate (May 8) passes a bill similar to that already passed (May 5) by the House. Both bills call for Federal Trade Commission supervision by registering securities sold in interstate commerce.

THE \$500,000,000 state relief bill which Senators Costigan, La Follette, and Wagner, and Representative Lewis have long advocated is signed (May 12) by the President. It goes to him from a conference committee to which it had been sent by the House on April 21 and by the Senate late in March. There its differences had been adjusted so that in final form it creates a new office of Federal Relief Administrator. Of the total distribution he will make from Reconstruction Finance Corporation funds, half is to be shared equally by the states, and half distributed on the basis of \$1 of federal aid for each \$3 of state aid.

Appointments

Aides of the Administration.

A. A. BERLE, Columbia University professor, member of the Coolidge National Transportation Committee, named to the Reconstruction Finance Corporation as special assistant in railroad problems (April 12).

MRS. NELLIE TAYLOR ROSS, named Director of the Mint (April 26). First woman Governor of any state, she became Governor of Wyoming in 1925.

FREDERICK E. MURPHY, newspaper publisher; Henry Morgenthau Sr., former Ambassador to Turkey; George C. Haas, member of Federal Farm Board—leave for Geneva (May 3) to represent the United States at a conference of the four nations which control 90 per cent. of world wheat exports: Canada, Argentine, Australia, and the United States.

HUGH S. GIBSON, confirmed by the Senate as Ambassador to Brazil (May 4). Present Ambassador to Belgium; United States delegate to many European conferences.

WARREN DELANO ROBBINS, confirmed as Minister to Canada (May 4). Distant relative of the President; has long diplomatic record in Europe and Latin American countries.

LAURENCE A. STEINHARDT, New York, confirmed as Minister to Sweden (May 4). Lawyer; philanthropist; advocate of lower trade barriers.

A. SUMNER WELLES, Maryland, sails from New York (May 4) as Ambassador to Cuba. In charge of Latin-American division of State Department under President Harding.

DAVE HENNER MORRIS of New York, nominated as Ambassador to Belgium (May 4). Close friend of the President; lawyer; Democrat.

EUGENE R. BLACK, Governor of Federal Reserve Bank of Atlanta, nominated to membership on Federal Reserve Board (May 10). Understood to be successor of Eugene Meyer as Governor of Reserve Board.

MRS. RUTH BRYAN OWEN sails for Denmark (May 11) as United States Minister. First woman to represent United States abroad; daughter of William Jen-

nings Bryan; represented northern Florida in 71st and 72nd Congresses.

GEORGE N. PEEK of Illinois, named Chief Administrator of farm sections of farm-inflation bill (May 12). Former dealer in farm machinery. Active leader in farm organizations.

Other Nations

Discouragement for Mussolini
... Murder in Peru ... Paraguay calls it war.

IN SPAIN's first municipal elections since the 1931 Conservative defeats forced King Alphonso from the throne, Conservative candidates score heavily over their Liberal opponents (April 23).

PREMIER MUSSOLINI's plan—tacitly backed by Prime Minister MacDonald—to secure treaty revision through a conference of France, Italy, England, and Germany receives a set-back (April 24). France, Poland, Czechoslovakia, Rumania, and Jugoslavia openly contemplate an agreement pledging resistance to any efforts to alter the Versailles Treaty.

PERU's President Sanchez Cerro is assassinated (April 30) immediately after reviewing 30,000 new troops before their departure for the Leticia district. The Cabinet immediately resolves itself into an emergency junta, declares martial law, and assumes executive powers. Major General Oscar Benavides is chosen as provisional President.

THROUGH Ambassador Grew in Tokyo, the United States is given definite assurance by Japan (May 3) that Manchukuo will observe the open door in China, as defined in the Nine-Power Treaty of 1922.

PARAGUAY formally declares war against Bolivia in the Gran Chaco (May 10). The action is taken after eleven months of undeclared but active hostilities in which more than 50,000 have been killed. It follows by six days the end of conciliatory efforts by the ABC-Peru group.

British Empire

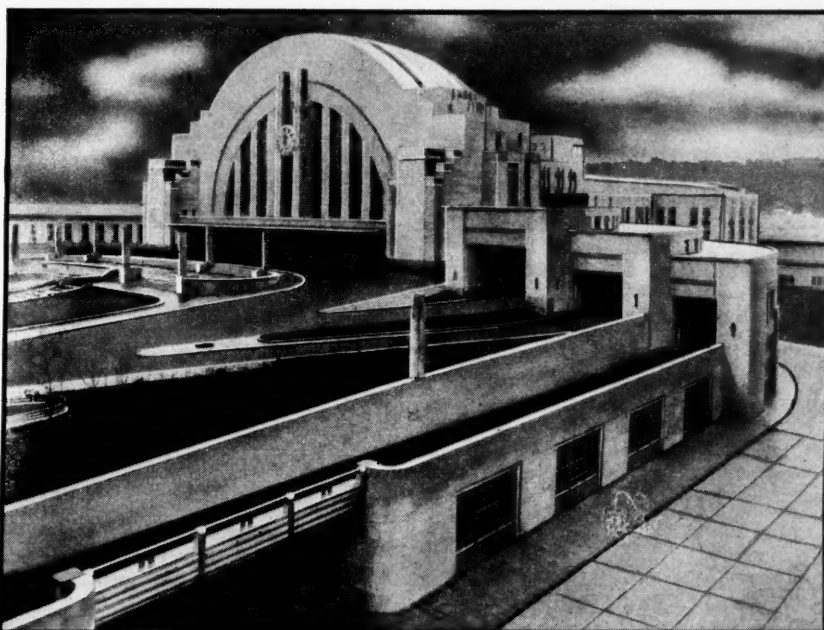
England and the Soviet ...
Irish oath ... Exchange fund
... Gandhi's fast.

SIR JOHN SIMON, British Foreign Secretary, tells the House of Commons (April 25) that the embargo on 80 per cent. of Russian imports is justified and should become effective the next day as scheduled by a previous government order (April 19). The embargo was approved on the same day that Russia, trying six English engineers on charges of sabotage and spying, expelled three, acquitted one, and imprisoned two. Russia retaliated (April 22) by ending all purchases in England.

EAMON DE VALERA's long fight to make it unnecessary for members of the Irish Dail and Senate to give an oath of allegiance to the King of England is won (May 3). Twice refused by the Senate,

Continued on page 59

Cincinnati Presents An Ultra-Modern Temple of Transportation



THE HALF-DOME FACADE of Cincinnati's new terminal is decorated with stone carvings by Maxfield Keck. Individual traffic lanes take care of bus, taxi, and private car service.

CINCINNATI, OHIO, is justly proud of her new \$41,000,000 Union Terminal Station which was dedicated the last day of March. This ultra-modern temple of transportation comprises a group of twenty-two buildings and occupies 287 acres of ground. It boasts of such refinements as a newsreel theater—air-cooled in summer—a waiting room with leather chairs arranged in informal groups, private dining rooms as well as tea shops and restaurants, murals and mosaics of historic civic developments, and the latest in modern architectural design throughout. The station centralizes Cincinnati's formerly scattered facilities for the despatch of freight, passenger, express, and postal traffic. Serving seven railroads it can accommodate daily 17,000 passengers and 216 trains moving in and out over a maze of ninety-four miles of tracks.

For many years Cincinnati has recognized that she needed a Union Terminal. Standing as she does in the strategic position between the Atlantic seaboard and the Mississippi, the city has been a rail center since 1845, when the Little Miami Road, on its maiden run, sent the first train into Cincinnati. Today seven roads converge in the city. In the past these were served by five gloomy stations to the great inconvenience of transfer traffic. So the movement in favor of a central terminal grew.

There was needed, then, an influential leader willing to spend time and effort in convincing citizens and rail heads of the practicability of such an undertaking. George Dent Crabbs, President of the Philip Carey Company and a leader in civic affairs, adopted the cause. Mr. Crabbs succeeded in rousing necessary support, and the city and Terminal Company coöperated to make the enterprise a success.

For years rail traffic in Cincinnati had been hampered by floods. An elevated site, centrally located within a mile of other public buildings, was selected for beauty and convenience. Work started in August, 1929, and five roads, flooded out of their old stations, moved into new quarters in March, 1933, a fortnight before the scheduled opening.

The Terminal is a handsome structure

of Spartan simplicity. The half-dome façade looks out over a landscaped parkway 500 feet wide and 1400 feet deep. An illuminated fountain surrounded by green lawns stands in the center foreground of the plaza between sweeping traffic lanes. To prevent confusion, separate station entrances are provided for buses, taxis and private cars, and the traffic to and from the station is highly segregated and therefore orderly. Stone carvings of symbolic figures on each side of the lunette window space above the main entrance were executed under the supervision of Maxfield Keck. And Paul Cret of Philadelphia acted as architectural adviser and critic of the exterior design.

Through swinging doors the visitor first enters a vast semi-circular concourse roofed by a half-dome whose clear height is 106 feet. Above the ticket windows and marble lighting columns are mosaics by Winold Reiss depicting the advance of transportation from the days of the Indian dog travois to the modern air cruiser, and the stages in the development of civilization and industry in Cincinnati.

Behind the main concourse are the baggage rooms which, in turn, open on the main waiting room 450 feet in length and 80 feet wide. In place of conventional rows of hard benches the traveler finds leather chairs arranged informally

between stairways and ramps to the train platforms below. Here he may rest comfortably and admire the silhouette mosaics which decorate the walls. These colorful panels were executed from cartoons by Winold Reiss and are a worth while addition to the art treasures of Cincinnati. In simple form and line they present the main industries which have gone into the making of the city. Here are seen artisans fashioning a piano, printers and lithographers in their shops, and workers in leather and hides. At one end of the room is a mosaic map of the world with time changes indicated.

MANY OTHER features of the new Terminal contribute to the pleasure of the traveler. There is the perfectly equipped small theater in which the newsreel helps to while away a tedious hour of waiting. There are well appointed and decorated shops, lounges for men and women with soft chairs and good reading light at all times. There are inviting lunch and tea rooms and private dining rooms for the fastidious guest or for parties.

Departing from old standards, builders have given special attention to lighting and the cheery atmosphere of the station. Fixtures were designed to fit in with the architectural design of each room. Indirect lighting and a system of dimming is used to prevent glare. There is plenty

of window space allowing sunshine and daylight to make artificial illumination almost unnecessary on bright days.

Other units in the Terminal group are the \$3,000,000 mail building which is open day and night, the engine terminal, roundhouse, and utility buildings. The city reconstructed Lincoln Park in keeping with the Terminal design, making the approach one of the most beautiful in America. Another project completed in connection with the Terminal is the western hills viaduct, running from the western station plaza above industrial Cincinnati, to the residential hills beyond. This colossal work was undertaken jointly by the city, the Terminal Company, and the Baltimore and Ohio Railroad. The graceful span is 3,500 feet long and cost \$3,500,000. Ten lanes feed traffic into its double-deck roads.

The design and construction of the Terminal buildings were directed by Colonel Henry M. Waite, Chief Engineer for the Cincinnati Union Terminal Company. Alfred Fellheimer and Steward Wagner of New York City were the architects for the passenger station proper, and the general contractor was James Stewart & Company, Inc., of New York. Railroads using the terminal are: Big Four, Pennsylvania, Baltimore & Ohio, Southern, Norfolk & Western, Louisville & Nashville, and Chesapeake & Ohio.

New York's Knickerbocker Village

ANOTHER TWO BLOCKS of gloomy tenements in New York City are being razed this month to make room for a new group of model apartments for white-collar workers. The project has been undertaken by the Fred F. French Company with the aid of an \$8,075,000 loan from the Reconstruction Finance Corporation.

"Knickerbocker Village", as the group is called, will cover an area of 219,000 square feet in that lower east part of the city bounded by Catherine, Monroe, Cherry, and Market Streets, near the Manhattan Bridge. The cost of the building and land is estimated to be about \$9,300,000 so that the loan represents 85 per cent. of the total cost.

For a long time the dilapidated tenements which are coming down have been recognized as a disgrace to the living conditions in New York. The erection of modern houses will mark a vast improvement in that section of the city. In announcing his plans Mr. French pointed out the value of construction in terms of employment and money turnover at this time. Said he:

"While relief in the form of wages is vital just now, we must not ignore these other less tangible factors, such as the general increase in purchasing power and the stimulation to public confidence, which result from all such activity.

"I firmly believe that the importance of putting wages into the pockets of the buying public, at this time, cannot be over-estimated and that it is the most sound and far-reaching method of unemployment relief.

"The real economic significance of 'Knickerbocker Village' lies in the fact that every dollar used for wages and

materials in connection with this development will be spent over and over again—and this at a time when increased buying will go far toward restoring confidence. . . .

"It is impossible to estimate the number of men who will find employment, the number of workers whose jobs will be made safer through increased confidence, the number of industries throughout the country which will be given impetus as a result of the loan which the Reconstruction Finance Corporation has made for our project here in New York."

Roadside Beauty in Arkansas

FOR MANY YEARS bill-boards have defaced the roadside beauty of approaches to Hot Springs National Park in Arkansas. Nineteen different bath house owners proclaimed their services from the highways to those in search of healing mineral waters. Today there is a movement to beautify the roads, and bath proprietors have agreed to refrain from bill-board or wall-sign advertising. It is hoped that other business men of Hot Springs will join this public-spirited group and remove their signs.

Buffalo Lists 1932 Improvements

DESPITE THE DEPRESSION Buffalo, New York, continues to make substantial progress in public improvements. In addition to the completion of projects for which contracts had been let previously, the labor of welfare men was enlisted last year to landscape and clean up unsightly areas. The skyline of the Civic Center on Niagara Square has been rounded out by the completion of the new City Hall and the New York State Office Building. Civic leaders now urge the erection of the new Federal Building on the Civic Center. This will add dignity to the present group and will relieve over-crowding in the old Post Office.

A Model Industrial City

KINGSFORT, TENNESSEE, in the heart of the Tennessee River Valley country which will soon become the laboratory for President Roosevelt's great land planning project, is in many respects one of the most remarkable examples of modern industrial city planning in America. In 1912 this remote region boasted only two farmhouses. By 1915 it had developed into a small agricultural community of about 900 inhabitants. Then came the railroad and four years later Kingsport was a flourishing city of 10,000 people. Rich stores of natural wealth—coal, timber, limestone, silica, and other materials valuable in manufacture—were found and important industries were established.

Development promised to be so rapid and extensive that the railroad company and industrial officials realized the need for careful planning. A town planner and an architect were engaged.

The result is one of the best planned industrial communities in the annals of modern town planning. Industrial waste

has been prevented by a scheme of co-operative teamwork. The industrial alcohol plant, the dye works and the pulp mill all get their needed lime from the cement works; the tannery supplies the harness factory with leather; the extract used in the tannery comes from the extract plant, which turns its chips over to the pulp mill. All local industries purchase building material from the cement and brick works; the utilities company supplies power and water. Dye for the hosiery company and bleaching powder for the pulp company are manufactured at the dye works. Expansion plans for new industries were also worked out. Plans were made for a fertilizer plant to utilize the regional deposits of potash and phosphate and the tannery refuse, and for a packing-house to stimulate cattle raising and produce fertilizer material.

In the quiet beauty and charm of its residential sections, Kingsport compares favorably with some of the celebrated model garden cities of England. There are many types of houses. The manufacturing plants are located apart where their smoke, dust and noise cause least annoyance to the public. Workmen's dwellings are set back from broad streets planted with shade trees. In fact, restful surroundings and features usually associated only with the better class districts in industrial communities are the common lot of residents of Kingsport.

New Art Gallery for Kansas City

NEXT FALL will see the opening of the new \$3,000,000 home of the William Rockhill Nelson Gallery of Art at Kansas City, Missouri. Mr. Nelson was founder, owner, and publisher of the famous *Kansas City Star*. The building is of Indiana limestone, 400 by 175 feet, and contains two stories, a basement, and mezzanine.

The central hall of the museum is of travertine with twelve black Pyrenees marble columns. It will be used to show tapestries and monumental sculpture. On the first floor also will be an open air Renaissance court of Mankato stone, a double cloister and fountain, fourteen permanent and three temporary exhibition galleries for paintings, prints, and European decorative arts, and three period rooms: French Regency, English Georgian, and Spanish Renaissance.

On the second floor there will be a great Chinese room with carved Ming ceiling and temple doors, a Chinese wall painting twenty by fifty feet, Chien Lung tile gateway, and galleries for Chinese bronzes, Japanese prints, Japanese decorative arts, Persian art works, Indian carvings, classical works, and American paintings. Five American interiors are planned for this floor.

Acquisitions for the museum so far include: paintings by Rembrandt, Rubens, Hals, Titian, Poussin, Chardin, Hobbema, Gainsborough, Reynolds, Raeburn, Velasquez, El Greco, Murillo, Caravaggio, Veronese, Goya, and Millet; Egyptian, Greek, Roman, Medieval, and Renaissance sculpture; decorative arts; prints and drawings; and Oriental bronzes, as well as potteries, porcelain, and textiles.

A SURVEY OF THE MONTH'S PERIODICALS

Champions of the Farm Cause

COULD ANYTHING other than wind and weather stimulate the prices of wheat and hogs, surely the present set-up in Washington should do so. The experimental farmer, the economist, the farmer editor, the gentleman farmer are all in the saddle. Each of these men—Wallace, Tugwell, Murphy, and Morgenthau—has been thinking about crops and prices for years. Each has the eagerness of a zealot to boost the farm cause.

Henry Wallace is the man who wields tremendous power under the Farm Bill. While not a dyed-in-the-wool Democrat—his father was Secretary of Agriculture in Harding's cabinet—he is a Roosevelt enthusiast, and he intends to do business in Washington.

"The young Secretary of Agriculture has been preoccupied all his life with farm problems," writes Frank Belair in the *New York Times Magazine*. "Born in Iowa on an Adair County farm in 1888, he has lived all his life among the tall-corn growers. At twenty he was collecting varied specimens of Iowa's maize from the far corners of the state, breeding and inbreeding them with the hope of producing a strain of seed corn that would give a higher yield per acre."

"The outcome of his experiments was the development of a seed corn capable of yielding four to ten bushels per acre more than the commonly accepted variety. It became useless to enter any other product in the Iowa corn shows....

"As proprietor of *Wallace's Farmer* after his father was called to Washington, young Henry came into close contact with the problems of the farmers who read his weekly comment. Many a summer's evening found him at the office mumbling into a dictograph replies to letters from perplexed husbandmen unable to raise enough to meet the mortgage on the old farm....

"In matters concerning agriculture Mr. Wallace has proved himself a prophet during the last fifteen years. When the World War came to an end he already had been investigating its probable after-effects as they might be deduced from the sequence of past wars. A treatise he wrote in January, 1919, on 'Farming Depression in England Following the Napoleonic Wars', pointed to the collapse of prices and the persistence of high fixed charges that brought on a deep agricultural depression beginning a few years after the end of these conflicts. His conclusion was that the World War showed no aspects that would make the expectancy of the reconstruction period any different from that of the wars of a hundred years before."

"It was during the period immediately following the war and preceding the collapse of the inflated farm values that Mr. Wallace, as contributing editor on

his father's paper, *Wallace's Farmer*, ran innumerable short editorials and lines in the journal which read: 'Now is a good time to pay off your debts.'

"Three years later Mr. Wallace was saying that American foreign trade, the end of the telescope through which the farmer had been persuaded to look for prosperity, was in danger and depended for permanence on one of three things: The removal of the high tariff so that foreign countries might be able to sell enough in this country to pay for what they bought from us; the continued lending of money abroad in amounts sufficient to enable foreign countries to pay us their debts and have enough left over to buy our surpluses; the forgiving of war debts."

"These theses were familiar enough by 1932, but they were not so well known or accepted ten years earlier."

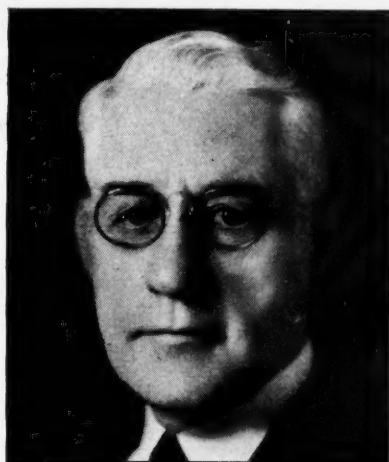
At Mr. Wallace's right hand sits a member of the President's famed brain trust. Rexford Guy Tugwell, Assistant Secretary of Agriculture, was a professor of economics at Columbia University before he went to Washington. Says *Business Week*:

"Tugwell was born in Western New York, is forty-one years old, studied at the Wharton School of Finance, University of Pennsylvania. Fellow academicians marvel at his rise at Columbia—from instructor to professor in eleven years. He is sure that the machine has created a new economy which our age has yet to accept. The Hoover policies, including rugged individualism, he attacks as protecting 'privilege' at the expense of the country as a whole. One of his babies is the farm allotment plan."

Dr. Tugwell has been doing a great deal of thinking and theorizing on government and society and his conclusions are not always reassuring to those who believe in the *status quo*. It is his job to search out the data in the field of internal economics and to present the material with his ideas and suggestions at the proper moment.

THERE ARE POINTS of similarity between the careers of Secretary Wallace and Frederick Murphy, the expert who is acting on the United States delegation to the Wheat Conference at Geneva. Mr. Murphy comes from Minnesota. He is a Republican and a publisher who has used his paper to help the northwest farmer. Moreover he is a practical farmer himself and has experimented in raising pure bred cattle and diversified crops.

Mr. Murphy was born and brought up on a farm near Troy, Wisconsin. After graduating from Notre Dame University in 1893, he went into newspaper work with his brother who was publisher of the *Minneapolis Tribune*. Poor health



FREDERICK E. MURPHY

forced him to spend three years prior to 1921 on a farm in the Red River Valley of Minnesota, and there he became acquainted with the acute agricultural problems facing the farmer. When he took over the publication of the *Tribune* in 1921, he determined to make rehabilitation of the farmer the major policy of the paper.

It was Mr. Murphy's graphic picture of deplorable conditions in the northwest, and his insistence that financial collapse of one section of the country was bound to be felt elsewhere, that led to the formation of the Agricultural Credit Corporation in 1924. It is generally believed that this organization saved the northwest from complete ruin.

The Wheat Conference is a forerunner of the World Economic Conference, which is meeting in London this month. Chief wheat producing countries are represented and it is hoped that common ground may be found for reduction of acreage and crops. The State Department appointed Mr. Murphy in recognition of his long interest in farm problems and methods.

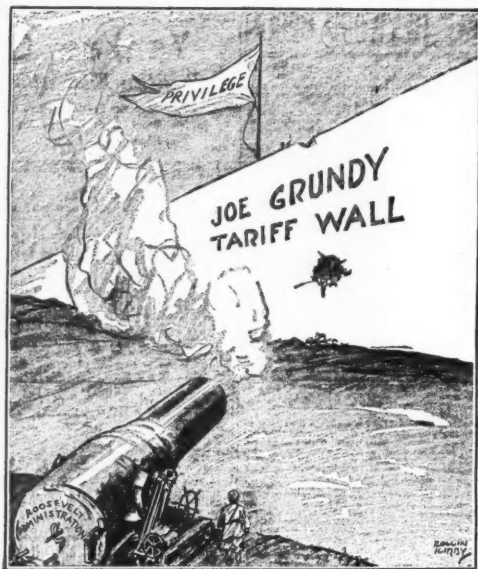
Mr. Murphy's views were recently set forth in two articles written for this magazine. In the first he pointed out that agriculture is the key to recovery. And last month he analyzed the Farm Bill. Said the *N. Y. Sun* when Mr. Murphy sailed:

"Frederick E. Murphy believed that men learn from their successes rather than their failures. So when hard times started in the farm belt in 1921 he used his *Minneapolis Tribune* to scout successful farmers and to organize and educate for success."

"The Minnesota plan of widely diversifying crops was the result. Authoritative opinion is that his is the most important one-man contribution to American agriculture in the period of the lean years."

"Like President Roosevelt, Mr. Murphy courageously overcame a physical handicap. For twenty years he had stooped as the result of an injury to his spine. At forty-eight he straightened his body by exercise and by will power."

Continued on page 58



By Kirby, in the New York World-Telegram

THE BLASTING BEGINS

NOT THE LEAST of the vital questions slated for disposition at the World Economic Conference which will convene in London on June 12, is the problem of tariffs. For a long time now economists have pointed at high tariffs and trade barriers as a cause of world disorders. Yet successive conferences of European experts have failed to find a common remedy agreeable to all parties. While nations have been forced to resort to bi-lateral treaties, tariff walls have mounted higher and higher, and international trade has sought new lows.

As the preparations go forward for the present conference a great deal is being said about tariff policy. What has been the policy of the United States for the past ten years? And what changes are now suggested?

Until 1920 the United States looked with suspicion on the most-favored-nation principle. It followed the plan of setting tariff rates on the goods of any one nation, dependent upon the treatment of American goods by that nation. Then the Tariff Commission of 1917-18 recommended a change to the most-favored-nation principle. It will be remembered that F. W. Taussig, economist, was chairman of that Commission, and that the moderate tariff of 1913 was then in effect. Today Mr. Taussig advocates a return to bi-lateral arrangements and explains the failure of the most-favored-nation policy as it has been worked out by the United States Government. Writing in *Foreign Affairs* he says:

"The principle is that we shall settle our tariff rates as we please, and then apply them equally to all comers. We give all countries the same treatment; each and every one is 'most favored'. We insist on the other hand that we too shall be treated with perfect equality—that we too shall be in as good a position as their 'most favored'. It is all quite simple, quite logical, entirely consistent. But as applied by us in practice, it can bring about no good result. On the contrary it proves not to improve commer-

cial relations, but to be a breeder of friction, animosity, commercial warfare.

"The explanation of this sad failure is to be found in the way in which we have worked the plan. Formally, we have worked it quite in accord with the rules. Substantially, we have done nothing of the kind. What is expected to lie underneath the most-favored-nation arrangement is that *there shall be some favor*. We have considered it, however, merely as a means of securing equal terms

to us and from us; and this equality of treatment, so far as our side is concerned, in fact is an equality not of favorable treatment, but of bad treatment all around.

"We raise duties pitilessly and rigidly. The State Department, when negotiating treaties, can hold out no prospect of any reduction or mitigation on our side. But if any other country makes an arrangement with a third involving mutual concession between them, we say we must have those same concessions. If they are not forthcoming, we hold up the club. The President has the power to impose additional rates [up to 50 per cent.] on the offending country's goods, or even exclude them entirely.

"This is a quite untenable position. The result which it was expected to attain has proved impossible of realization. A country which we approach for good treatment—for the best treatment which it gives to any other—finds that nothing is to be gained by an agreement with us; and moreover its self-respect and pride are hurt by our holding out a threat. Our tariff legislation makes our duties virtually prohibitory on most imports. . . . As regards the competing imports, which alone enter in the present discussion, we offer nothing but bad treatment when we offer equal treatment. We cannot expect such an offer to elicit a favorable response. The club may indeed then be lifted but what does the other party care? We have already done practically all the damage it could inflict. The natural answer to an overture of the kind is—go your own way and let us alone."

The result has been that few treaties of any importance have been concluded on the new basis, Mr. Taussig points out. Instead, the present treatment has alienated the best customers of the United States. A second result is that the United States has never dared to use the club which she supposedly holds over other nations. The writer continues:

Tariffs Become A World Issue

"I cannot conceive that, if a country should refuse to give us most-favored-nation treatment and go its own way in negotiations with others, a President would apply the penalties which the law put into his hands. The extreme protective system is at bay. It has been so extreme that even among its own leaders there is much shaking of the heads. To make the rates even higher than they are, by adding 50 per cent. to the figures of 1922 and 1930 (not to mention the complete prohibition which is authorized by the law) is something no President would venture to do. Looking at the situation as a whole, we find ourselves stalled.

"What now should be done? My conclusion is that the whole present policy should be scrapped; that this pretense of a general most-favored-nation system should be given up; and that the next practicable step is to make separate arrangements for reciprocal reductions of duty."

FURTHER ENCOURAGEMENT for reciprocal action in place of most-favored-nation policy is given the United States by the dismal account of attempted large-scale reduction of tariffs at European conferences of the past ten years. Says William P. Black in *Barron's*:

"The whole history of European economic conferences points to bi-lateral agreements as the way out of the morass of strangled international trade. Such progress as has been made—and there are a few examples of successful agreements for limited tariff reduction—has been through the two-party method. Meanwhile, as large-scale and group conferences have failed to agree and as parliaments have hacked to pieces such minor agreements as did result, tariffs in general have mounted higher and higher. Embargoes, quotas, licensing systems, and other trade restrictions have added to the difficulties.

"The result, so far as the United States is concerned, has been a drop in exports from the \$5,240,995,000 of 1929 to a mere \$1,612,306,000 in 1932, a loss of almost 70 per cent. How much of this is accountable by lower prices and how much by an actual decrease in trade is shown by the Commerce Department's recent figures which place the drop in the physical volume of our exports at 48 per cent. Along with exports, our imports have fallen from \$4,399,361,000 in 1929 to \$1,322,745,000 in 1932.

"Back in 1927, the Conference for Concerted Economic Action, widely heralded as a meeting which would cure the economic ills of the Continent, yielded only a doctrine to the effect that 'Tariff disarmament is the *sine qua non* of the eco-

conomic resurrection of Europe'. The aims of this conference were relatively modest. They were merely to abolish restrictions and prohibitions on imports and exports, such as embargoes, quotas, and licensing systems. The question of tariffs was set aside for later consideration. . . ."

Nevertheless the resulting treaty failed, says the author, as did also the so-called tariff truce of 1930. The League of Nations likewise attempted large-scale action but was forced to fall back on recommendations for two-party agreements. Mr. Black continues:

"In view of this background, showing two-party accords partially successful and attempted large-scale agreements utter failures, President Roosevelt would seem to be following the path of realism in refusing to base all his hopes for tariff reduction on the prospects of a world wide accord at the coming Economic Conference. Again, in leaning towards reciprocal agreements at the expense of the most-favored-nation principle, he seems to be adopting a realistic course.

"Rigid adherence to the old principle has brought only a succession of tariff advances throughout the past decade. The time has come to try something new, especially since France and other European countries are already well launched on the new course. Whatever bargaining power the President might have in negotiations with these nations would be greatly limited if he stuck rigidly to the most-favored-nation clause. . . .

"In the long run, our exports can be increased only through the 'deals' that the President and Secretary of State Hull promise to put through. Just how these deals will affect specific industries is difficult to predict. Certain manufacturers and their employees are going to be badly hurt through the lowering of tariffs that protect them. A hue and cry that the President is ruining American industry is bound to be raised in certain quarters as an increased flow of foreign goods enters this country. . . .

"If the Roosevelt 'deals' shall pinch badly in spots, it must be remembered that there will be off-setting benefits from them. As the country adjusts itself to the changed circumstances, the advantages of reciprocal agreements should far outweigh their disadvantages. Without such agreements, there is every indication that we should see a continuation of stagnation in international trade".

AND NOW that America is ready to make overtures to Europe, how will her suggestions be received by the British Isles, for example, formerly the best customer of the United States exporter? Charles E. Hobhouse, British Liberal, describes the attitude of this late convert to protection in the following passages written in the *English Contemporary Review*:

"On the subjects of debts and tariffs in which we must shortly be engaged with the United States, the course which the Government and the country ought to follow is clear, but whether it can be followed is not equally plain. A debt settlement by drastic reduction of capital and of term liability, and a tariff settlement by simultaneous, equal and mutual

TOO BAD, IT DIDN'T WORK

By Kirby, in the New York World-Telegram

lowering of tariff barriers, is in theory so quickly possible and, in fact, so obviously sensible that the only wonder is that these solutions are not already agreed. . . .

"The questions for us are these. How far has the futility of the Ottawa Conference and arrangements persuaded our Cabinet of the stern necessity of removing tariffs, except perhaps for revenue, in respect of all trades? If they are so persuaded, what hopes have they of the United States being of a similar mind, and what intentions have they either at Washington or elsewhere of acting upon their beliefs? Not only at, but before, Ottawa, I was convinced I saw a change of heart in Mr. Baldwin, and certainly since Ottawa I have seen a change of speech by Mr. Chamberlain. . . .

"The tide of tariffs has ceased to flow, even though it is not visibly ebbing. There is a loss of political interest in the 'Empire', which I sincerely trust may not lead to a loss of political belief in it. . . . It seems as if the ordinary voter is so flustered by the universality of trade depression, and of unemployment, that until he has tried out the remedy of trade barriers and found them useless, he is not going to withdraw his support from them. He was in 1930 credulous and ardent, today he is sceptical and inquisitive. The fall in prices still queers the pitch of Liberal and economic prophecies, and £30,000,000 of tariff taxation is the equivalent of a good deal of income-tax. There has been some activity in home manufactures, and much publicity about home sales. It is easier to attract attention to these than to disappearing foreign purchases. So the Government policy is still on probation. Until the Economic Conference fails to agree, which appears more than probable, the electorate will give the Government 'the benefit of the doubt', and more than that no Government can ever hope for.

"From newspaper correspondence, from speeches of the chairman of every great railway, bank, shipping and manufacturing company, comes the plainest and strongest evidence that the present system and height of tariffs is only, if at all, justifiable for the purpose of negotiations with other tariff-ridden countries—that they have seriously injured the export trade of this and every other country, that if they fail as weapons in the armory of bargaining, they must only be retained for revenue purposes. This is a great advance on the feelings of last year".

AT THE SUGGESTION of President Roosevelt, a number of nations have agreed to a tariff truce, not to aggravate the difficulties hampering international trade, until the results of



the World Economic Conference shall be known. Whether this Conference, unlike its predecessors, will bring forth a world policy of reduced tariffs is a question for the future. Certainly some general code for international action may be expected. And as Sir Arthur Salter, British economist, suggests in *Harpers* magazine, the world is in sore need of a new moral code in international relations. As to tariffs and trade Sir Arthur says:

"In regard to commercial policy, there must clearly be a vital distinction between home trade and world trade. From the point of view from which I am now writing it must be recognized, I think, that each country must be the judge as to its permanent and ultimate policy as regards the free admission or qualified admission, or even exclusion, of foreign goods from its own territory. The policy of the enforced 'open door' is obviously not defensible as between states within a free and equal community of nations. . . .

"The requirement of a recognized code of conduct would, in my view, be limited to the conditions under which a change could properly be made from one policy to another. And here it is very much needed. A country deciding to change from a protective to a free trade policy would certainly give careful consideration to the interests of its own industrialists which had legitimately grown up under the earlier policy. It would make the transition gradually and after consultation.

"Similarly, when a large importing trade has grown up legitimately on the basis of a free or moderately protective policy, no country surely ought, except under the most compelling necessity, to destroy this trade suddenly without consultation with, or consideration of, the interests affected by a sharp and decisive change of policy. Every import shut out is somebody's export shut in, and as the World Economic Conference said in 1927, 'tariffs, though within the sovereign jurisdiction, of the separate States, are not a matter of purely domestic interest'. There may of course on rare occasions be sudden national emergencies or financial crises

which compel immediate action. But, apart from these, it may be hoped that it will become an established practice to maintain stable tariff systems (except for changes by way of reduction) for a substantial period and to precede any considerable change by careful consultation with the other countries seriously affected and by ample notice."

Who Succeeds After College?

By Anthony Anable in Chemical and Metallurgical Engineering.

"CAN A COLLEGE EDUCATION, aside from its cultural and social benefits, be justified on a monetary basis?" asks Anthony Anable, writing in *Chemical and Metallurgical Engineering*. "If so, are financially successful graduates above or below average in scholarship; which courses are best designed to give early indication of later success? Is participation in fraternity life and extra curricular activities a waste of time or a valuable part of undergraduate life? And finally, is the trend of graduates into executive positions great, and what industries and what classifications of jobs within these industries offer greatest opportunity for self-improvement and financial reward?"

These moot questions have been answered in part, at least, as the result of a study made of 1000 graduates of the Massachusetts Institute of Technology who had taken the course in Business and Engineering Administration given by Professor Davis R. Dewey. The 809 men who supplied full data came from every state in the Union, were educated at many different colleges and schools, and about two-thirds of the group were the sons of college graduates. Mr. Anable points out that the salaries quoted are high because the survey was initiated before the depression wrought havoc. In reviewing findings he writes:

"A startling difference in achievement, based upon earning capacity, was at once noted. In one-fifth of the group, called the upper achievement rating for purposes of comparison, the earned salaries increased year after year at the rate of \$1,000; the middle fifth, or middle achievement rating, showed an average annual raise in pay of little less than \$500, while the rate of increase in the lowest fifth, or lowest achievement rating, was strikingly low; only after fourteen years was a salary of \$3,000 reached. When, as a group, the lowest achievement rating had attained this median salary of \$3,000, the middle achievement rating had reached \$5,700, and the upper achievement rating \$13,000. Regarded from a slightly different angle, the salary secured by this lowest fifth after fourteen years was secured by the middle fifth in five years and by the uppermost fifth in three years. . . .

"The survey showed that the most successful men came from the middle western states, and that those who did best in business life had completed college courses elsewhere before coming to the New England institute for final work. . . .

"Ultimate success apparently came to those who had led extremely active lives

during undergraduate years and who had been engaged in a greater proportion of extra-curricular pursuits than their classmates. . . .

"Strange as it may seem, an easily perceptible predilection to succeed seemed to be stamped indelibly upon the ultimately successful members of the group as early as in their twenty-second year. How could the fact otherwise be explained, that the members of the upper achievement rating, upon graduation, received more and better offers than their less successful classmates in the low achievement rating? Members of the upper achievement rating received proportionately more offers of from two to nine jobs, and a proportionately greater number of the members of this group received initial salaries ranging from \$2,000 up to \$5,000.

"Instead of drawing any definite conclusions it may be better to sum up the characteristics of the median man in the upper achievement group, so that he may stand forth in bold relief as an example of what modern industry probably desires in its future administrators. The governing characteristics of honesty, character, and other personal qualities not covered by these studies are to be taken for granted, but in addition our hypothetical man should probably have the following background, if these studies are to be relied upon:

(1) A good standing in class-room work, well above the average in all subjects, but especially high in thesis work, and in business and economic subjects where latent initiative, imagination, and resourcefulness are developed.

(2) Proficiency in extra-curricular activities, particularly those calling for managerial and organizing abilities and the subtle technique of leading others and making the others like to be led.

(3) Ability to get along well with others—a natural and deserved popularity if you will—indicated by election to membership in social fraternities.

(4) Success in securing employment in a growing and remunerative industry, such as the chemical and related processing industries, a gradual working into the more lucrative fields of that industry, such as distribution, finance, and management, and finally the attainment of an executive position in the active direction of that industry rather than a less remunerative functional position."

Making Your Own Job

By Marc A. Rose in College Humor.

"THE DEAD SURE way to get a job is to make one", writes Marc A. Rose, editor of *Business Week*, in *College Humor*.

"It is perhaps the hardest way; it requires the most initiative and ingenuity. But this is a hard world just now; I am sorry, but I cannot point out any easy routes to success, nor even to the first rung of the ladder that reaches to success. Young men and women emerging from college in June will have, by and large, to make their own opportunities. Let us be utterly frank—they can't all do that. But I believe a great many more can make jobs for themselves than is generally appreciated.

"I cannot suggest many jobs that can be created; the essence of the method is to create things to do that others will not anticipate. But I can give examples."

Among the made-jobs which Mr. Rose lists are the making of tomato juice from a home-made recipe; growing and selling vegetables; and starting a lending library at a summer resort. He continues:

"When it is your sole business in life to find something you can do, most or many of you will come through. You will discover an old want that is not being supplied in some town, or you will invent an entirely new service or commodity that people will buy—something they had wanted all along, though they didn't know it. . . .

"There is another kind of job manufacture, but it is open only to the young college graduate whose parents are able to support him. Let us imagine that your heart is set on banking as a life career. All your studies have been shaped toward preparation for banking. You can forego immediate income, but you cannot endure idleness.

"The thing to do is to go to a bank—preferably, of course, one which knows you or your family, and state your case. You want to learn the business. You know there are no jobs just now. But with all the cutting down of expenses, the bank must have let people go that it didn't really want to lose. They were doing things the bank would like to have done, but which reluctantly it has decided it can do without for awhile. Isn't there something the bank would like to have done, if it would be done free?

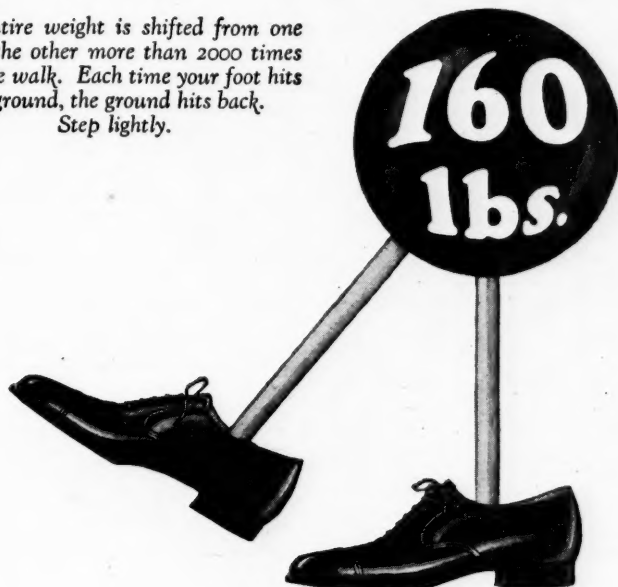
"I don't know why I have chosen the bank illustration particularly; probably there are better opportunities for this kind of work in industries, and in commercial lines. I suppose I thought of it because I have heard of several young men who have gone to work for nothing per week in banks. They would like a salary, of course. But they are surprisingly contented with the knowledge that they are learning the business, winning confidence, and making acquaintances. Their superiors have eyes on them. Their toe is in the door, as the saying goes; no doubt they will be the first men added to the bank's payroll when expansion begins again. . . .

"To the hundred thousand young men and women who complete their college studies each year the problem of what to do, of how and where to make their start as self-supporting members of the nation's citizenry, is always a most serious one. To those who take that step this year, however, the difficulties are unusually grave. They must face conditions such as few of their predecessors have ever heard about. . . .

"But for young men who insist on looking for a real job, the best advice is to look for jobs where jobs are. Nearly every business in the country has suffered severely in the depression, but the extent of this suffering has varied widely among different industries and individual enterprises. Industries which are closest to the consumer and supply the fundamental necessities of life such as foods, certain types of textiles, leather and shoes, and a few others, have maintained production and profit levels much better than most others."

Watch your Arches

Your entire weight is shifted from one foot to the other more than 2000 times in a mile walk. Each time your foot hits the ground, the ground hits back. Step lightly.



A GREAT deal of excruciating pain in the feet or elsewhere in the body, caused by weakened or broken down arches, can be relieved or completely removed. When the three main causes of foot trouble—misuse, abuse and disuse—are generally understood, a great deal more pain will be avoided.

If you walk with your toes pointed out instead of straight ahead you put a severe strain on your arches. Overstrained, they are likely to sag or flatten. Bones may be forced out of place, pinching and torturing sensitive nerves.

All too often these tortured nerves communicate their distress to nerve centers far removed from the feet. Leg aches, headaches, backaches and many other aches are penalties which follow the misuse of a hard-working foot.

Abused, either by being cramped in a shoe which does not permit the toes to lie flat, or sprawled in an ill-fitting shoe, no foot can support and move its burden comfortably and easily. Shoes should have a straight inner edge. They should fit snugly under the long arch and at the heel.



Examine your shoes to make certain that the sole, under the ball of your foot, does not round down in the center or bend up at the sides. If it does, every step you take tends to flatten the short arch across the ball of the foot. Then the needless pain.

Disuse is the third crime committed against feet which should be able to give willing and uncomplaining service. A foot which has little to do besides carrying its burden from bedroom to dining-room and from there to an automobile or other conveyance, loses its muscular strength, becomes almost an invalid foot through feebleness.

But when muscles and ligaments have lost their strength or arches have become weakened, the services of a competent foot specialist may be needed. He may, by proper treatment, or by prescribing corrective foot exercises or scientifically constructed shoes, restore your foot to usefulness.

A booklet "Standing Up to Life" which tells how to overcome many foot ailments by means of intelligent foot exercises will be mailed free upon request. Address Booklet Department 633-V.

METROPOLITAN LIFE INSURANCE COMPANY

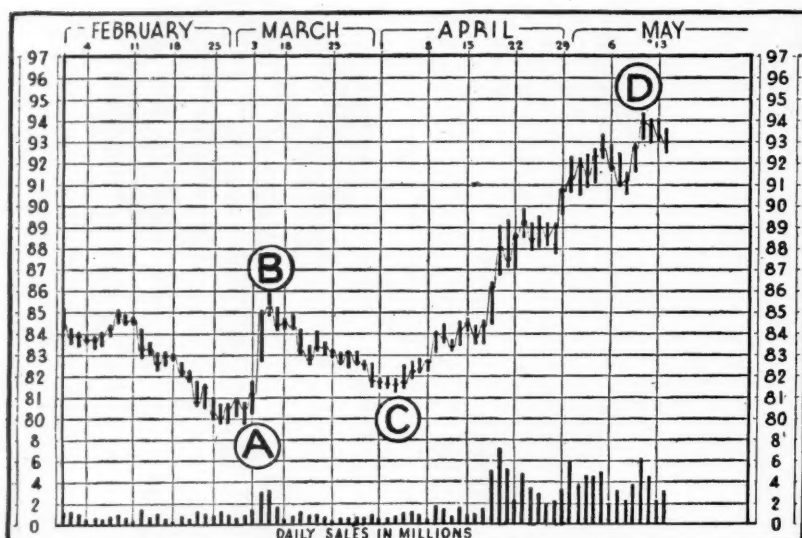
FREDERICK H. ECKER, PRESIDENT

ONE MADISON AVE., NEW YORK, N. Y.

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FACTS and TRENDS in FINANCE and BUSINESS

o o o As Seen Through Our Roaming Periscope o o o



THE STOCK MARKET APPRAISES FRANKLIN ROOSEVELT

On this chart "A" represents Inauguration Day, with the descent of our line—due to bank closings throughout the country—checked only by the closing of the New York Stock Exchange itself. "B" registers the notable two-day rise that followed the opening of the New York exchange on March 15. "C" indicates the gradual wiping-out of that gain during the second half of March; and it marks the end of Franklin Roosevelt's first month in the presidency. "D" records the April rise, generally accredited to the inflationary proposals of the new Administration; and it marks the end of Franklin Roosevelt's second month. Our chart is adapted from one published in the New York "Herald Tribune."

Wall Street Echoes of F. D. R.

FRANKLIN ROOSEVELT's first month in the presidential chair had won high praise not merely from friends but from erstwhile political unbelievers. If it had been a boxing contest, that first round would have been marked up to his credit quite unanimously by referee, umpires, and spectators. Dissenters, if any, must have been few in number, sitting silently in the back seats. It was, indeed, as if a series of contests were being staged, with the new champion defeating all comers one after another. Roosevelt partisans, editorial writers, the man in the street—all were satisfied.

But when the first month of Franklin Roosevelt's presidency had gone by another element of the great American public seemed not to have followed the bandwagon. This was the investing public. We use trading on the New York Stock Exchange as our barometer, with due apologies. On March 3, when the exchanges and banks began their holiday, the level of prices was between 81 and 82 on the New York *Herald Tribune's* chart which we reproduce above; and on April 5 it was in precisely the same position.

It happened that the first month of the new Administration was devoted to remedies which had a deterring effect at

the moment. That is, the banking situation was treated presidentially by something like a surgeon's emergency operation. The banks were given ether, which closed them forcibly. Then after the new legislation was hastily adopted the banks were partly opened; and part of them have not been opened even yet. The operation was a success, but the patient had lost the use of a leg for the time being. In other words, billions of potential spending money were tied up in the closed banks. The stock market appreciated that fact.

Then other legislation that followed in March—cutting down or omitting veterans' allowances, and decreasing the salaries of all federal employees—was promptly appraised as reducing by hundreds of millions annually the amount of spending money by the great American public. The economy axe worked in two ways.

BUT WHEN these emergency measures of March were out of the way, the Administration at Washington—not merely in the White House but in Congress as well—began to propose, debate, and adopt a series of measures frankly designed to increase the spending money of the people (see Mr. Law-

rence's article on page 27). Billions of additional dollars were somehow to be pumped into circulation. Public opinion was at this time not so unanimously or whole-heartedly behind the President—a notable spokesman being Senator Glass, who had been invited into the Cabinet—but there was more than enough support to pass legislation through Congress.

How did the stock market respond to what is admittedly inflation, a reversal of the long-drawn-out and nearly deadly period of deflation that had lasted three and a half years? We invite attention again to the chart, which shows that during the second month of Franklin Roosevelt (let us say from April 5 to May 5) the level of prices on the New York Exchange rose from less than 82, where we had left it a few paragraphs back, to more than 92. This chart is based on 100 representative stocks.

There was, apparently, a recognition of the time-honored theory that during inflation it is best to put your wealth into something else than money; and stocks are the easiest things to buy.

The Stock Exchange itself estimates that the total market value of all shares listed increased during the month from approximately 20 billion dollars on April 1 to nearly 27 billion on May 1. This is a rise of 34½ per cent. Expressed in the Stock Exchange's own average, based on all stocks, the price per share increased from \$15.41 to \$20.73.

In the listed bond market this rise was just as plain but naturally less spectacular. Here, U. S. Government bonds constitute half of the trading on the Exchange, and their movement up or down is slight in the course of a month. Nevertheless, the average bond price, including "governments", moved upward from \$74.51 on April 1 to \$76.57 on May 1. Utilities sold on May 1 at 81 per cent. of their par value, railroads at 56 per cent., industrials at 61 per cent., and foreign governments at 66 per cent.

MEANWHILE, what was happening in the commodity markets? To make the picture more simple and perhaps more accurate for purposes of comparison, we take the wholesale prices of commodities in the same market (New York City).

Wheat was selling at 65 cents a bushel on March 4 in New York, at 72 cents on April 4, and at 90 cents on May 4. Here was a gain of 25 cents a bushel—or 38 per cent., in two months, in what may well be considered our leading agricultural price index.

Corn, in the same market, advanced from 40 cents a bushel on March 4 to 49 cents on April 4 and 55 cents on May 4. Butter advanced from 17 to 18 to 22 on the same dates; beef from 9 to 10 to 12 cents. Reflecting the advance in wheat,

flour moved forward from \$3.65 per barrel wholesale on March 4 to \$4.05 on April 4 and to \$5.05 on May 4.

Cotton, raw, in the same city of New York, could be bought for 6½ cents a pound on March 4, with no perceptible increase on April 4 but an advance of a full 2 cents a pound, to 8½ cents, on May 4.

Copper in the two months advanced from 5 cents to 6½ cents per pound, steel scrap (at Pittsburgh) from 8½ to 11¼ cents, wool from 43½ cents to 54 cents a pound. Silver, because of its new popularity in Washington political circles, moved forward from 27 cents an ounce on April 4 to 34 cents on May 4.

There is no need to carry the story further. And at the same time this is no place to intimate that the advance may continue. We have merely set out to demonstrate that the second month of the new Administration at Washington, both in the stock market and in the commodity markets, was appraised at an extraordinarily high cash value though the first one was not.

President Roosevelt on May 12 signed the bill by means of which Congress places in his hands almost unbelievable powers, some of which the President himself (presumably) hopes never to use. It combines farm relief and monetary inflation. We have ended our three monthly comparisons of stock-market and commodity levels with the date of May 5, reflecting Franklin Roosevelt's first two months in office; but the rise itself did not end there.

It is now eleven months since the country witnessed the upward trend that began in July, 1932, and that was perhaps shattered by the bitterness of a political campaign. Business leaders once more (in the middle of May) were declaring that the corner had been turned, and that the country was on the way out of its depression. There were indeed indications that business was backing this optimistic opinion with money—that it was buying materials and employing labor. This, after all, is the only way out of any business depression.

Sidelights

ILLINOIS' sales tax, adopted in March, was unanimously held unconstitutional by the state Supreme Court on May 10. The law imposed a tax upon persons engaged in selling things at retail; and then it exempted one class, farmers. Framers of constitutions, if not of laws, believe that taxes should be uniform as regards classes of people.

• • GOVERNMENT revenue begins to reflect new sources, like beer. In the first ten days of May, "miscellaneous internal revenue receipts" amounted to 43 millions; last year, same ten days, they were only 12 millions. Income-tax receipts continue to fall off—from 5.8 millions in those ten days last year to 4.9 this year. The income tax once produced most of Uncle Sam's funds.

• • RAILROADS in the west have led in a movement to restore the pre-war passenger rate of 2 cents a mile. It is now 3.6 cents. Paul Shoup, president

of Southern Pacific, came out of the west in May to convert Easterners. Perhaps there will be a compromise half-way.

• • STEEL-MILL activity is one of our favorite barometers of trade. U. S. Steel reports more unfilled tonnage on May 1 than on April 1—the first gain since the famous three-months of August-October last year, and the second gain since March, 1931. And this in spite of operations at a higher percentage of capacity.

• • ARKANSAS furnishes a new puzzle for the bond world. Its highway and bridge bonds were sold in 1927 to investors (including insurance companies and savings banks) with prior claim to gasoline taxes and automobile license fees. They carried 4 to 4¾ per cent. coupons. Now the legislature offers holders a new bond without prior claim and with a 3 per cent. coupon; and it offers no alternative.

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Travelers may never meet a highwayman but they must guard against tempting sneak-thieves by the display of cash. You may eliminate this temptation by changing your money into

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Review of Reviews Corp., 229 Fourth Ave., New York

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■ Flush easily? Get winded after a quick run upstairs, and have to lie down? Notice your heart pounding a bit at night?

You'd better see a doctor if such symptoms persist. Probably he'll ask about your coffee, and say you'd better cut down your caffeine intake.

You'd miss your coffee too much? Not at all. You can enjoy a rich, delicious blend of Brazilian and Colombian coffees in Kellogg's Kaffee-Hag Coffee . . . 97% caffeine-free. Your doctor will approve it . . . and so will you. You'll wonder why you never thought of such a good idea before.

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Send 15 cents in stamps for a can of Kellogg's Kaffee-Hag Coffee and a booklet on coffee and health. Use this coupon.

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Please send me a can of Kellogg's Kaffee-Hag Coffee (97% caffeine-free) and booklet. I enclose 15c in stamps. (10c)
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The ECONOSTAT

A BUSINESS DIGEST
21 West Street, New York, N. Y.

Prepare for Planned Industry!

Continued from page 43

Labor Perkins who is 100 per cent. on the side of the worker. Incidentally, Miss Perkins is the ablest Secretary of Labor we have ever had, as well as one of the best equipped members of the present Cabinet. Labor leaders will be called upon to swing their unions into line just as the trade associations and employers groups are to be marshalled to carrying out the program of industrial control. I venture to prophesy that strikes will drop away as the new program swings into action, and that there will be less industrial trouble in major industries in this country during the next few years than there has been at any time during the past decade.

This has been a world depression and consequently international influences have played a large part in the severity of its extent. Nevertheless, much of our own domestic trouble has stemmed out of our unscientific and unbalanced relationship between supply and demand. Today the American standard of living is back at levels where it was at the turn of the century. Purchasing power has been savagely slashed. Thus our immediate needs would seem hardly to call for controlled production and distribution at present levels. The first and paramount problem is to increase purchasing power and raise the standard of living.

Restriction, of itself, will not bring back prosperity. We need a program of expansion under such scientific control that will prevent the senseless extremes of the pre-depression period. What is needed includes balanced production between various industries, the elimination of uneconomic price-slashing below production costs, the blotting out of the sweat-shops which have sprung up in all our industrial centers and which are a disgrace to any civilized nation, and, most of all, more jobs.

In regard to wages, the broad trend in the future will be upward. But for the present no general policy can be

established until the improvement has been maintained over a period of months. We should bear in mind that wage rates are not the focal point of the problem here. What labor wants and needs is a fuller pay envelope gained from working longer hours a week. This is the first objective ahead. Furthermore, just as wage rates tend to be maintained at high levels when other prices have started down, so in a period of recovery there is always a lag before they follow other prices upward.

The restoration of purchasing power must now be vigorously pushed in an aggressive nation-wide movement built around sales and advertising. This is the spear head of the attack as far as each individual manufacturer, each individual distributor, is concerned. As this movement gathers impetus, employment and wages will follow upward.

Meanwhile let us keep in mind the fundamental fact that the days of *laissez-faire* conduct of business are over. It is no longer "every man for himself and the devil take the hindmost". Coöperation is the essence of "The New Deal", and if industry, labor, or capital won't coöperate voluntarily, then the Government will force their coöperation. I regard as very significant these words of the President in his recent speech to the United States Chamber of Commerce: "I ask that you have the vision to lay aside special and selfish interests, to think of and act for a well-rounded national recovery. Each and all of you in your own units and in your own industries are but integral parts of a great whole, and our national economy must be expressed in terms of the whole rather than in terms of the unit".

I am definitely hopeful about the outlook ahead. The deflation is over. The period of recovery has set in. Let us all rally behind the President, and before the present year is over we shall see tangible evidence that "The New Deal" means new prosperity.

Champions of the Farm Cause

Continued from page 51

Heading the Wheat Conference delegation is Henry Morgenthau, Sr., former Ambassador to Turkey. His son, Henry Morgenthau, Jr., has been appointed chief of the Farm Credit Administration, a consolidation of all the federal farm loan agencies.

Again we find the practical farmer and farm editor in the seat of power. Mr. Morgenthau was born and brought up in New York City, but the agricultural urge was strong in him and he chose to study agriculture at Cornell University. After graduation he undertook settlement work in New York. Bad health soon sent him ranching in Texas, and then farm-hunting. He bought two farms in the Hudson Valley and has been running them at a profit ever since. He also purchased *The American Agriculturist* which he publishes from Poughkeepsie.

Mr. Roosevelt was naturally attracted

by this neighbor farmer. When he became Governor of New York, he drafted Mr. Morgenthau into political service. Writes Gove Hambidge in the *Herald Tribune Magazine*:

"Henry Morgenthau, Jr., comes to his job as governor of the Farm Credit Administration with these qualifications:

"(1) A practical interest in farming from boyhood strong enough to have molded the course of his life. (2) As good a university training in agriculture as can be obtained. (3) Eighteen years of experience in farming. (4) Eleven years of experience as a farm-paper editor, which means close acquaintance with the problems, disappointments, kicks and achievements of farmers. (5) Four years of experience shaping and putting over legislation for the benefit of rural communities. (6) Close acquaintance with the views and methods of his chief, now President."

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THAT is the question. But why soliloquize—Admit it—you've found it hard sledding figuring it out for yourself. Up. Down. Up. Down. You're sorry you sold. You should have bought. You missed a bet, and you lost a fortune.

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has had ten years' experience as financial editor of a leading monthly magazine (not this magazine) and has spent five years with a New York investment house. His special occupation has been the gathering of investment information, and the rendering of impartial advice.

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The March of Events

Continued from page 48

the oath bill is passed for the required third time by the Dail, thus eliminating the need for Senate approval. It is immediately given royal assent by a deputy of the very king to whom it refuses allegiance.

THE BRITISH exchange equalization fund is boosted from 150 million to 350 million pounds (May 4) as the House of Commons grants Neville Chamberlain's request for this action. The fund is used to buy and sell foreign currencies in keeping the pound stabilized at a depreciated level.

MAHATMA GANDHI begins (May 8) a twenty-one day fast to urge haste in solving the problem of India's untouchables, and to urge "purification" on his following. Because he suspends the civil disobedience campaign for six weeks, and urges the All-India Nationalist Congress to attempt a peace with the Government he is released from the Poona jail in which the Indian government has held him for seventeen months.

Germany

Protest to Britain . . . Burning books . . . Call to the Reichstag.

GERMANY'S Charge d'Affaires in London calls at the British Foreign Office (April 15) to deliver his Government's protest on alleged British interference with Germany's domestic affairs. In a speech in the House of Commons (April 13) Sir Austen Chamberlain had referred to Hitlerian Germany as displaying the "worst sort of the old Prussianism, with the added savagery of national pride exclusiveness."

IN PUBLIC squares throughout Germany, huge bonfires roar (May 10) as German students burn books judged to be written in "un-German spirit". Simultaneously, New York is the scene of a parade of 100,000 Jews and Christian sympathizers protesting German treatment of the Jews.

CHANCELLOR HITLER suddenly orders (May 12) the Reichstag to meet on May 17, instead of allowing it to slumber on for four years as provided by the enabling act of March 23, which gave him his dictatorship. It is believed that he wants the Reichstag as an impressive background for a speech on Germany's foreign relations. Germany's recent Geneva demands that she be given the right to re-arm had caused European criticism which irked the Hitler government.

In the States

Rhode Island's wets . . . Colorado's dry.

RHODE ISLAND is the third state to ratify the proposed "Repeal" amendment (May 8) as her constitutional convention meets.

Continued on page 62



THEY ALL WELCOMED JIM IN A FOURSOME BUT NOBODY LIKED TO FOLLOW HIM IN THE SHOWER

HE was one of those men everybody liked. But he was thoughtless.

Wherever he walked barefoot he spread a stealthy infection, and those who followed in his footsteps were likely to develop that unpleasant and often serious skin disease known as "Athlete's Foot."

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Absorbine Jr. at all druggists, \$1.25. For free sample, write W. F. Young, Inc., 372 Lyman St., Springfield, Mass. In Canada: Lyman Bldg., Montreal.

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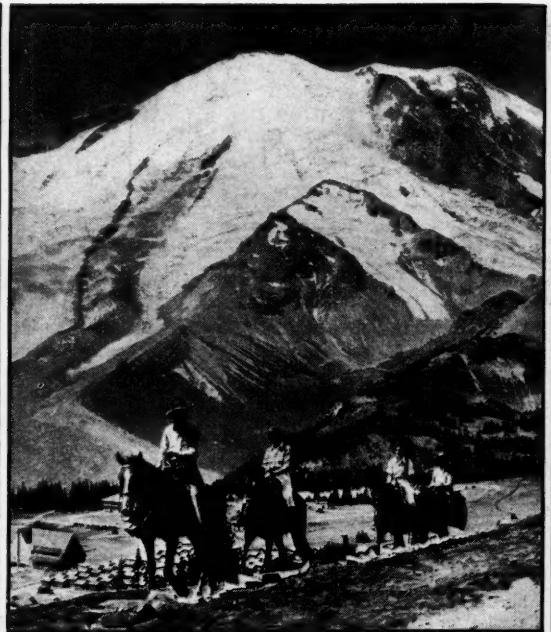
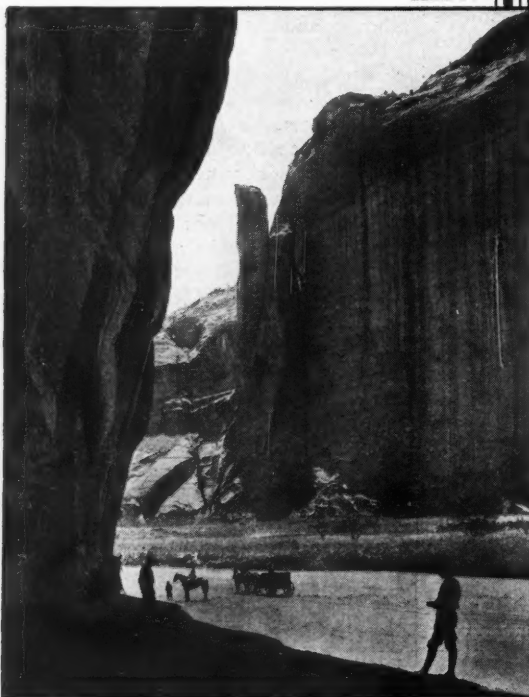
For years has relieved sore muscles, bruises, aches, burns, cuts, sprains, abrasions, insomnia

TRAVEL DEPARTMENT



▼ CANYON DEL MUERTO, in Arizona's Canyon de Chelly National Monument.

Santa Fe



Northern Pacific

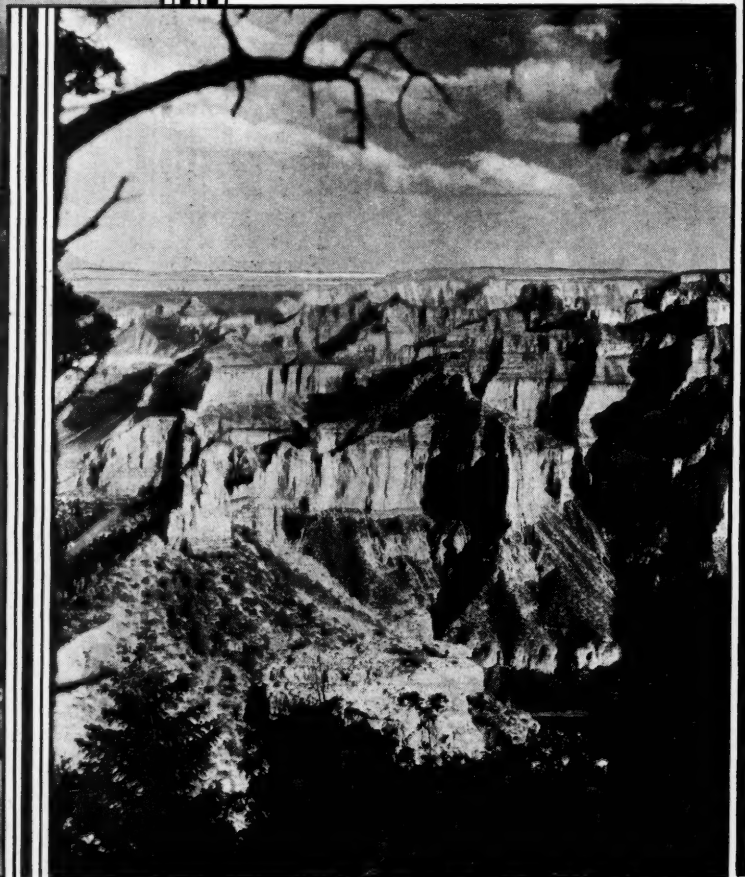
▲ DUDE RANCHERS, chaperoned by a cowboy, riding near Mount Rainier, Washington.

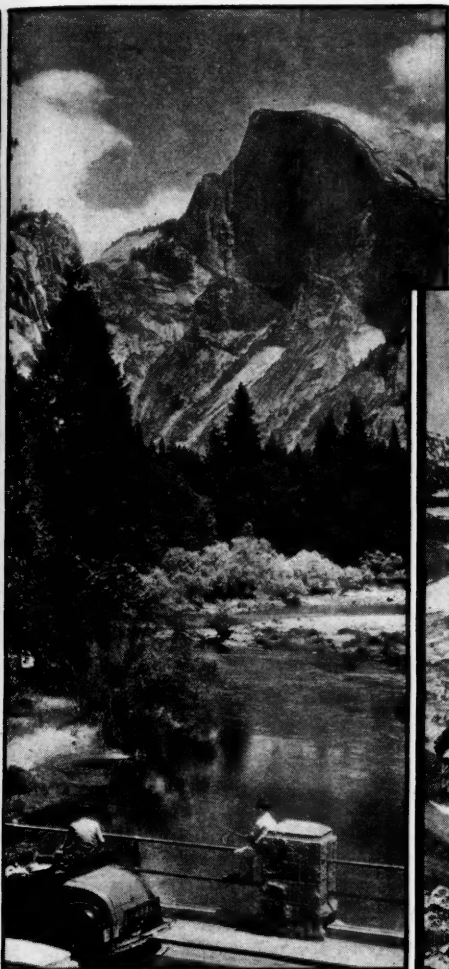
◀ COLORADO, with all its natural beauty, boasts especially of Rocky Mountain Park.

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▼ THE GRAND CANYON. Far below, relentlessly, the Colorado River roars seaward.

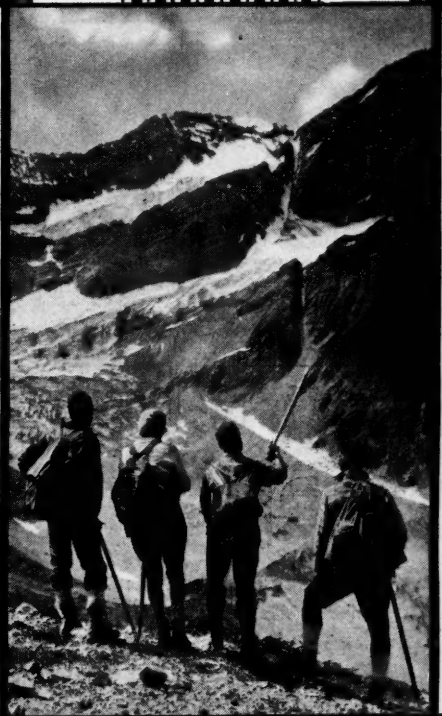
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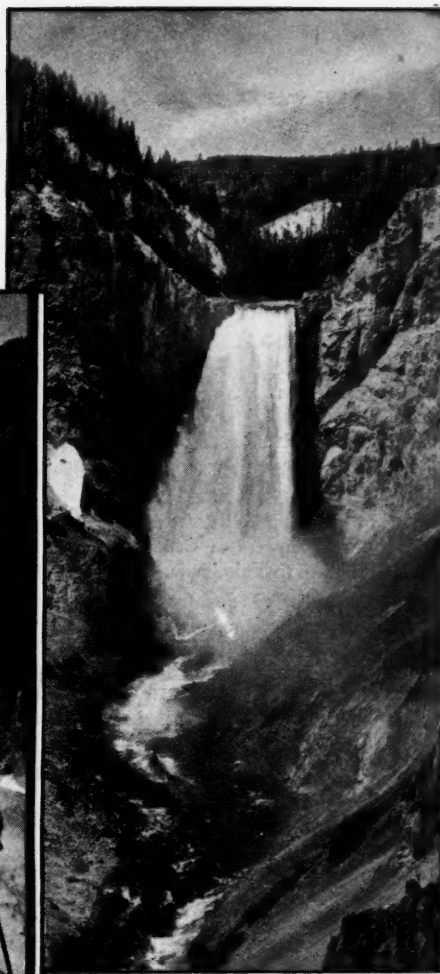
▲ **YOSEMITE NATIONAL PARK**, in California's mountain region.



▲ **JASPER NATIONAL PARK**, Canada's mountain playground in Alberta Province.
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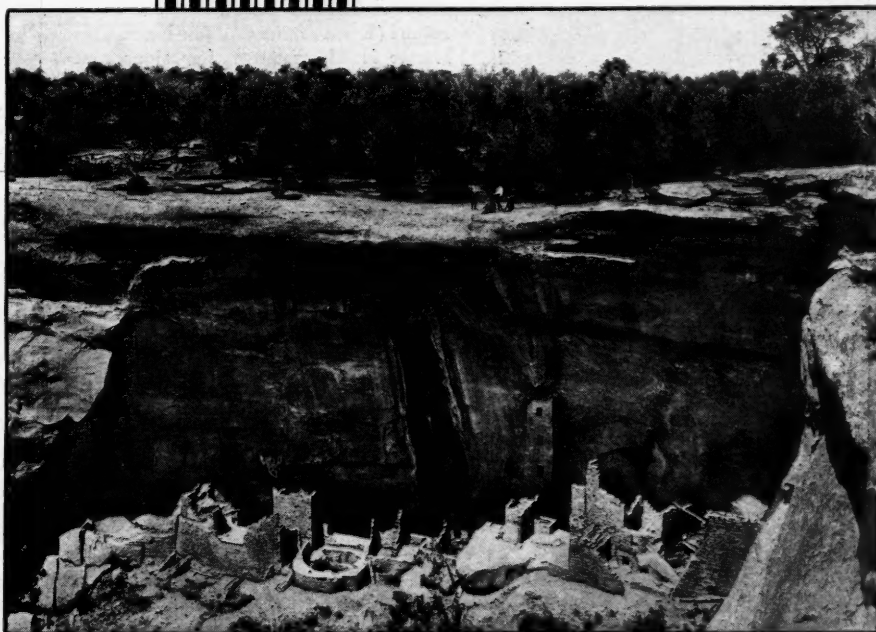
▲ **THE GREAT FALLS** of the Yellowstone, Yellowstone National Park.

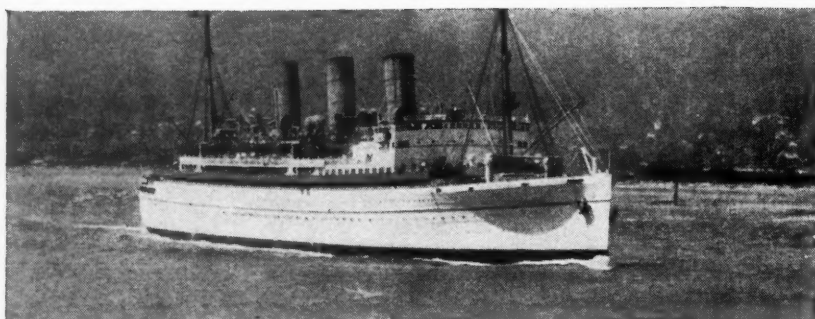
▼ **MESA VERDE NATIONAL PARK**, Colorado, site of cliff dwellings built centuries ago.

Santa Fe

THIS IS THE SUMMER for many people to spend in the western playgrounds—our National Parks. Railroad fares are down; stop-over privileges are practically unlimited. Each one of the parks is worth the period of a whole vacation, as these representative pictures show, but most of them can be covered in one giant swing during the course of an average holiday.

No matter how much or how little time you have, the railroads will help you plan so as to get the most for your time—and money. They stand willing and anxious to serve your vacation needs. Besides those which have furnished the pictures on these pages, other great roads go into the western park and monument belt: the Chicago, Milwaukee; St. Paul & Pacific; the Canadian Pacific; the Chicago, Burlington & Quincy; the Great Northern; and the Rock Island. Ask them for help in planning your holiday. They will make certain that your American vacation is a successful vacation!





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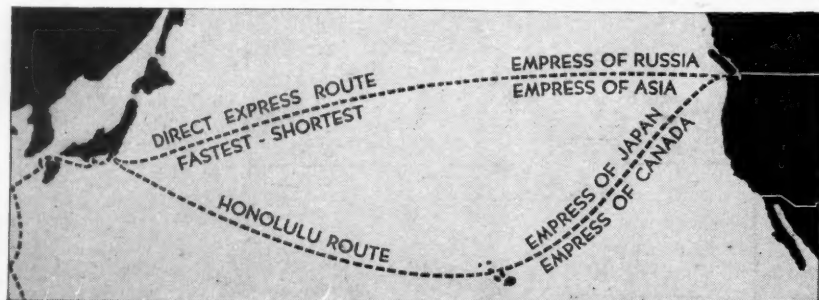
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The March of Events

Continued from page 59

CONGRESSIONAL action in legalizing 3.2 per cent. beer is called unconstitutional by a Colorado judge (May 11). In handing down a decision allowing the city of Greeley to refuse to issue licenses for the sale of beer as provided in the state law, he says that Congressional action in calling 3.2 beer non-intoxicating is contrary to "generally known physical facts"; and therefore the action of Congress and Colorado to permit its sale is unconstitutional. An appeal to a higher court is planned.

OFFICERS of the National Farmers' Holiday Association postpone (May 12) the national farm strike which had been planned for the following day. They attribute their action to the completion of farm relief legislation. Meeting in Iowa, where seven counties were under martial law following disorders at farm mortgage foreclosure sales, delegates from eighteen states had voted (May 4) in favor of the strike.

Obituary

ASHLEY HORACE THORNDIKE, 61. Long a professor of English at Columbia University. Widely famed Shakespearean scholar. Editor of literary classics series—(April 17).

WEBSTER THAYER, 75. Presiding Judge during the seven-year Sacco-Vanzetti trial in Massachusetts—(April 18).

FELIX ADLER, 81. Teacher, reformer, publicist. Founder and for fifty years the guiding spirit of the Ethical Culture movement—(April 24).

WILLIAM E. HASKELL, 72. Newspaper executive in Minneapolis, New York, Chicago, Boston. Former vice president of International Paper Company. Founder of Harvard *Daily Herald*, now the *Crimson*—(May 2).

ERNEST HOPKINSON, 60. Vice president of the United States Rubber Company. Pioneer and researcher in rubber industry—(May 3).

LEONARD HUXLEY, 72. Editor of the English *Cornhill Magazine*. Biographer, poet. Middle generation in a famous English family—(May 3).

LI CHING-YUN, 197. His advice to a Chinese compatriot who desired longevity: "Keep a quiet heart, sit like a tortoise, walk sprightly like a pigeon, and sleep like a dog"—(May 5).

GEORGE HERBERT PALMER, 91. Harvard's beloved author, philosopher, educator. Translator of a widely used edition of the "Odyssey"—(May 7).

CHARLES E. STANTON, 74. Chief Disbursing Officer for American Expeditionary Forces. Credited by General Pershing as originator of "Lafayette, we are here!"—(May 8).



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It shows you how you can go... in dollars and cents costs. For instance... a good seat for the finest opera, about \$1.50... admission to the Casino at Monte Carlo, about 40c... a cabine at many smart beaches, about 25c a day.

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Gentlemen:—Will you please send me, without obligation, your free booklet "This Year of All Years."

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ADDRESS _____

Our Authors

• • JOHN S. NOLLEN, who writes about Iowa's farm disorders, has a decided corn-state background. It was his birthplace, the scene of much of his preparatory and university education, and the state in which he has won a large measure of his reputation as an educator. Since 1931 he has been president of Grinnell College, a post he accepted after serving eleven years as dean. Twenty years earlier, when the institution was still known as Iowa College, he had been professor of modern languages there.

• • LYMAN PIERSON POWELL is eminently suited to tell how the churches are meeting the present crisis in religion. As a professor, writer, minister, lecturer, and college president, for many years he has been a close student of ethical conditions in America. Born in Farmington, Delaware, Dr. Powell was educated at Johns Hopkins, the Universities of Wisconsin and Pennsylvania, and the Philadelphia Divinity School. He is the rector of St. Margaret's Church in the Bronx, New York City. Although many books and articles have come from his pen, Dr. Powell is most widely known as the author of "Mary Baker Eddy", a best-seller in 1930.

• • ALFRED JACKSON HANNA, who writes about the awakening of the Spanish people and the constitution of the new Republic, is an assistant professor of Florida and Spanish history at Rollins College, Winter Park, Florida. Recently Mr. Hanna brought his knowledge of Spanish history up to date by spending several months in Spain. When the new Spain celebrated her second birthday on April 14 last, Mr. Hanna made the radio address of which part is included in the present article.

• • GEORGE FORT MILTON interprets the Administration's plans for the Tennessee Valley as only one closely in touch with the region can. He is a native of Chattanooga, educated at Knoxville and the Universities of Tennessee and Virginia, and served as lieutenant in the Field Artillery, Tennessee National Guard, from 1917 to 1919. After leaving the army he became managing editor of the Chattanooga News. For ten years he has been president and publisher.

• • WILLIAM H. RANKIN, who urges business men to support the Administration recovery program, has had full experience in promoting patriotic causes. In wartime, he was a leader in the national campaigns for Liberty Loans and the Red Cross and as a result of his work \$30,000,000 worth of advertising space was given to the Government. Two years ago he was offered, and accepted, a commission of Lieutenant Colonel in the Specialist Reserve of the United States, and was authorized to build up a selective service advertising group of sixteen leading advertising men. In August, 1932, he was advanced to the rank of Colonel in the officers' reserve. He promoted the first international advertising convention in London in 1924.

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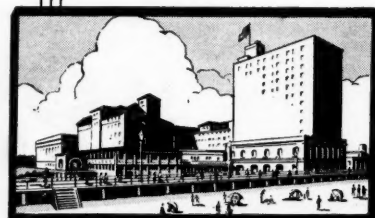
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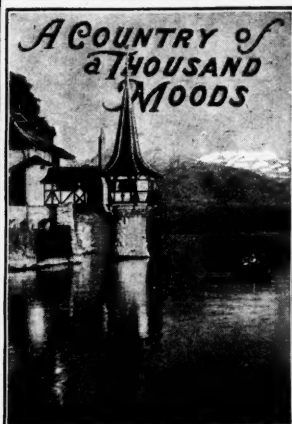
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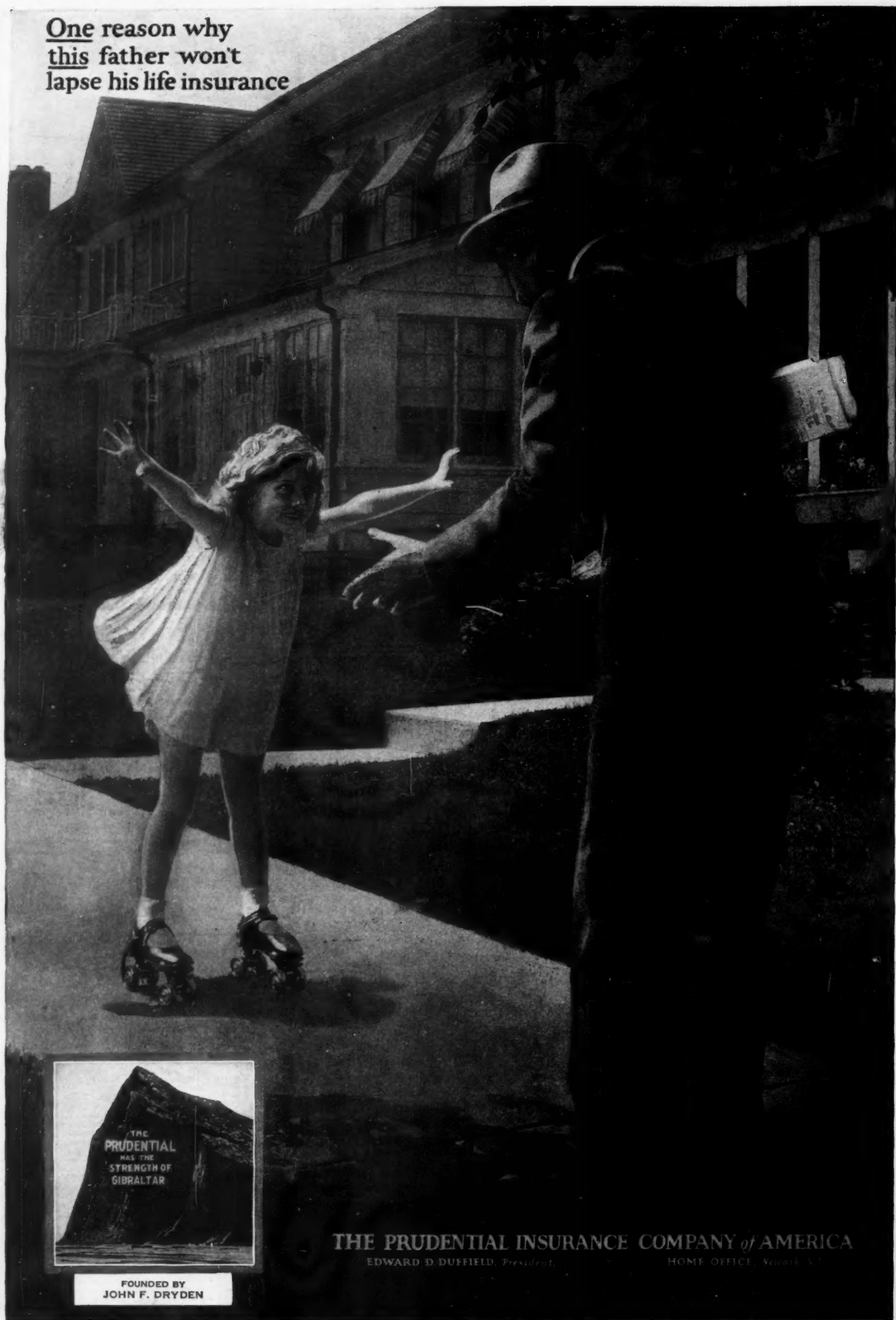
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